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*New Strategies for a New Advisory World*

# The Cost-Free, Business-Building Strategy For The New Economy



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Experts in Reverse Mortgage Financing

**Your Speaker:**

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**Vice President, Financial Advisor Programs**

**Urban Financial of America, LLC**



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# The Cost-Free, Business-Building Strategy for the New Economy

The Actually Make Money Instead of Spending Money While Improving Existing Financial Plans in a Way That Brings You A Flow of New Clients and New Assets Under Management Program!



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# What We Are Going to Cover

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- How to develop free warm leads everyday
- The time bomb in 97% of financial plans
- The missing link to fix that hole
- How to easily increase your revenue and assets under management today while making grateful clients in the process ...**with one simple question**



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# What's Better?

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Warm leads or Cold leads?

Free warm leads or Purchased cold leads?



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# Better Yet...

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- What if there was a way you could get Free-Warm leads that increase your assets under management and make money instead of spending money?
  - No seminars
  - No extra time commitment
  - Just by asking one simple question



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# Boomers Driving Demand

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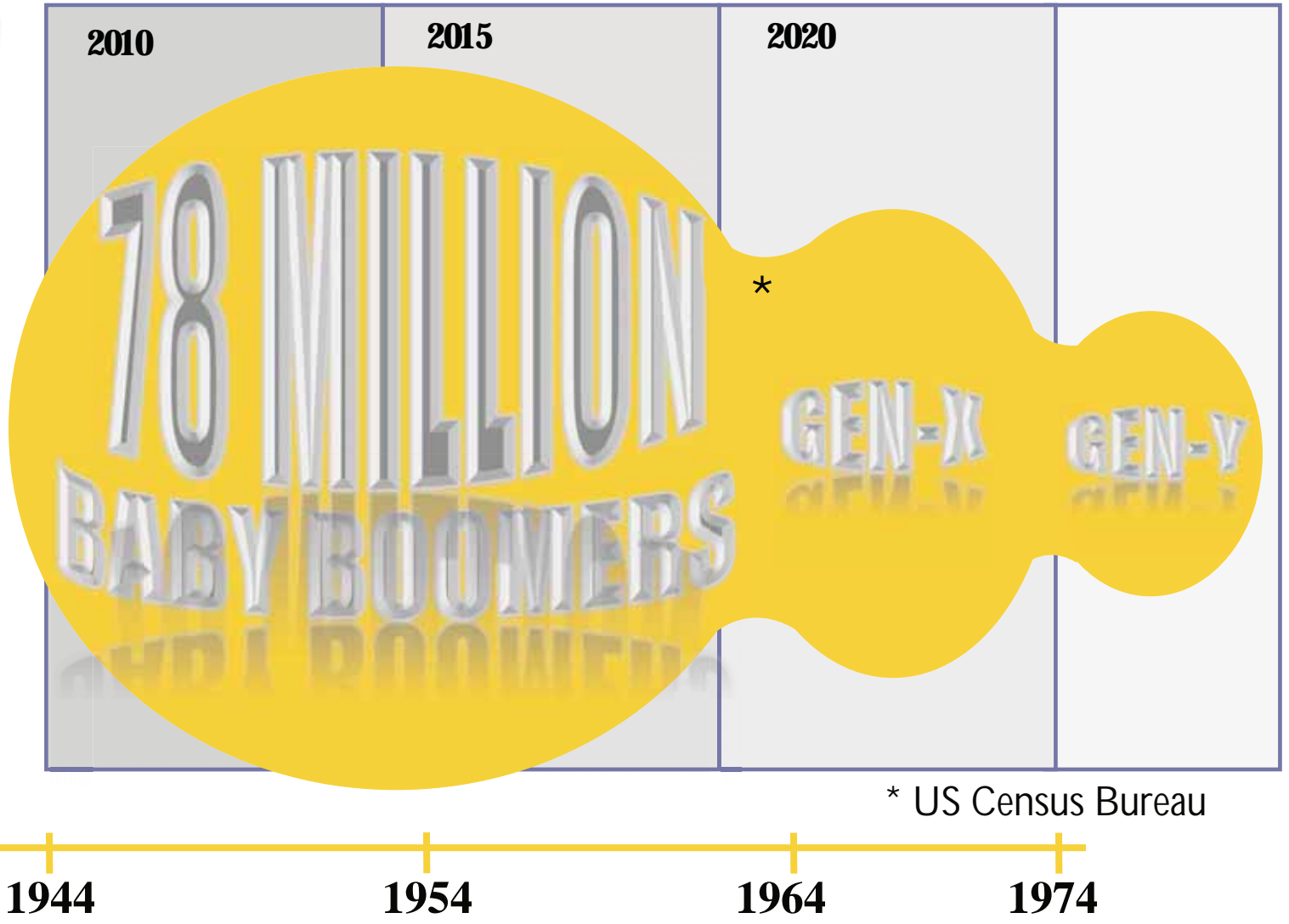
“The aging baby boomers and the generations that follow them have driven and will continue to drive all of the important business and personal trends over several decades to come.”

–Harry S. Dent, leading economist and best-selling author of “The Roaring 2000’s Investor” and “The Great Depression Ahead”



# The Senior Tsunami

Retirement



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# Boomers Driving Demand

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- Gerber Baby Food
  - 1941: Gerber selling 1 million cans per week
  - 1948: Exploded to 2 million cans per day!\*

\*Source: <http://www.fundinguniverse.com/company-histories/gerber-products-company-history/>



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# Boomers Driving Demand

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- 1979 Carter Administration Economy
  - “It was the expense or investment involved in incorporating the massive baby-boom generation into the workforce that was the main cause of the unprecedented inflation bubble of the 1970’s” –Harry S. Dent, “The Great Depression Ahead”



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# Boomers Driving Demand

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- Roaring 1990's economy
- Boomers move into highest income phase, swelling 401(k)s
- 2001 – National Debt was being “paid down too fast”\*\* –Alan Greenspan

\*\* <http://www.investopedia.com/articles/06/farewellgreenspan.asp>

# Boomers Driving Demand

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- Today:
  - In the US, 10,000 people per day are turning 62
  - Early Retirement years
    - Travel spending
    - Healthcare spending
  - Later Retirement years
    - Massive healthcare spending
    - Long Term Care



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# Medicaid

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- Currently, the average Medicaid recipient costs the government \$500 per month
- The average nursing home patient costs over \$7,000 per month
- Medicaid pays for 90% of nursing home patients
- “Medicaid spending growth unsustainable”

- Source: Congressional Budget Office (CBO)

# Affordable Care Act (a.k.a. Obamacare)

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“Obamacare will not impact long term care planning and makes no changes to long term care insurance.”

– American Association for Long-Term Care Insurance



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# Question

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Would it be logical to you, to sell your client a product outside of your normal business line, if it provided great benefit to them and led to increased sales of your core business?



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# Chances of Needing Long Term Care (LTC)

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“58% of men and 79% of women will require some form of long term care in their lifetime”

-- National Insurance Institute

Average cost of Nursing Home Care:

**\$75,190**

Source: Mass Mutual, 2006, [http://www.massmutual.com/mmfg/pdf/nursing\\_home\\_cost.pdf](http://www.massmutual.com/mmfg/pdf/nursing_home_cost.pdf)

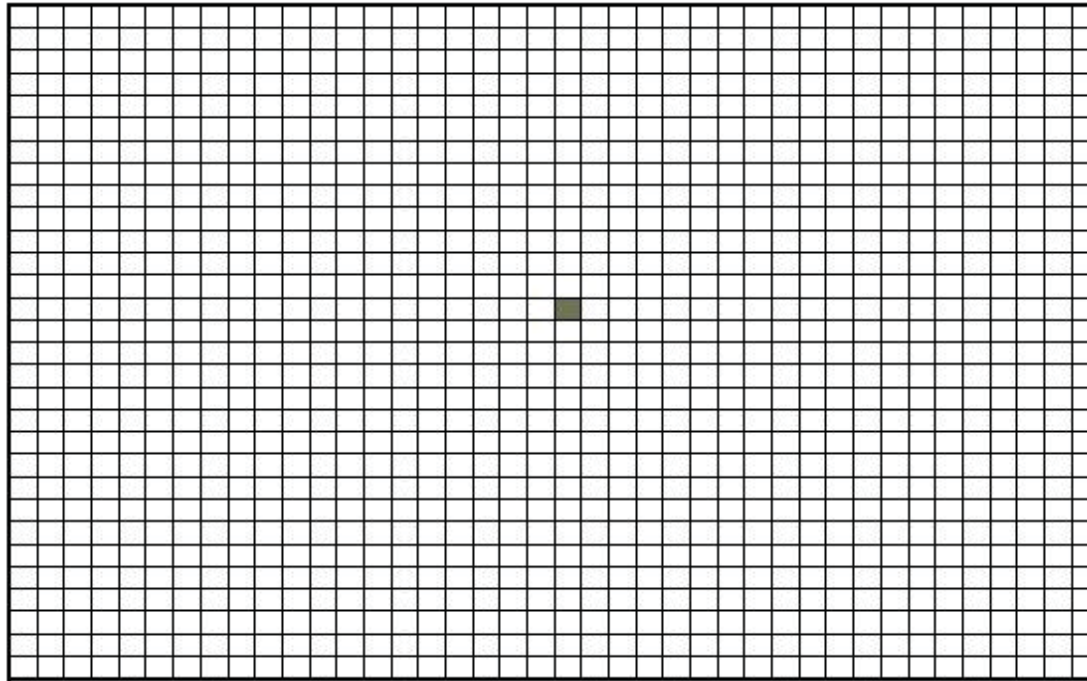
(Not including therapy, rehabilitation or medication)



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# Chances of Needing LTC

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Odds of your house being destroyed by fire... 1 in 1,200

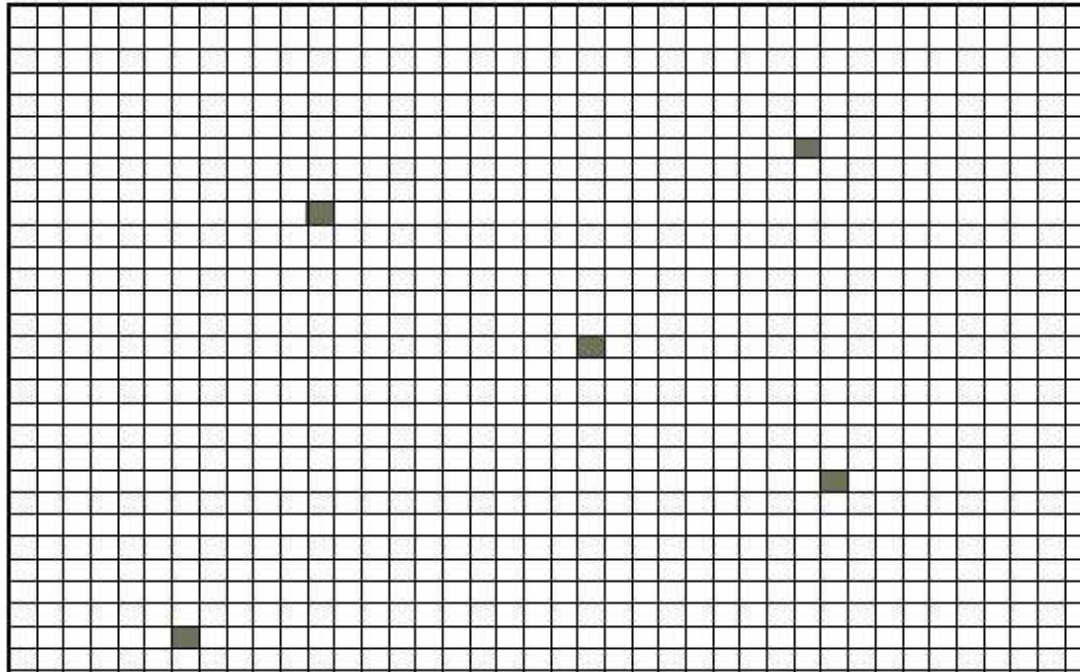
Are you insured for this? ✓ YES        NO



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# Chances of Needing LTC

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Odds of your car being totaled in an accident... 5 in 1,200

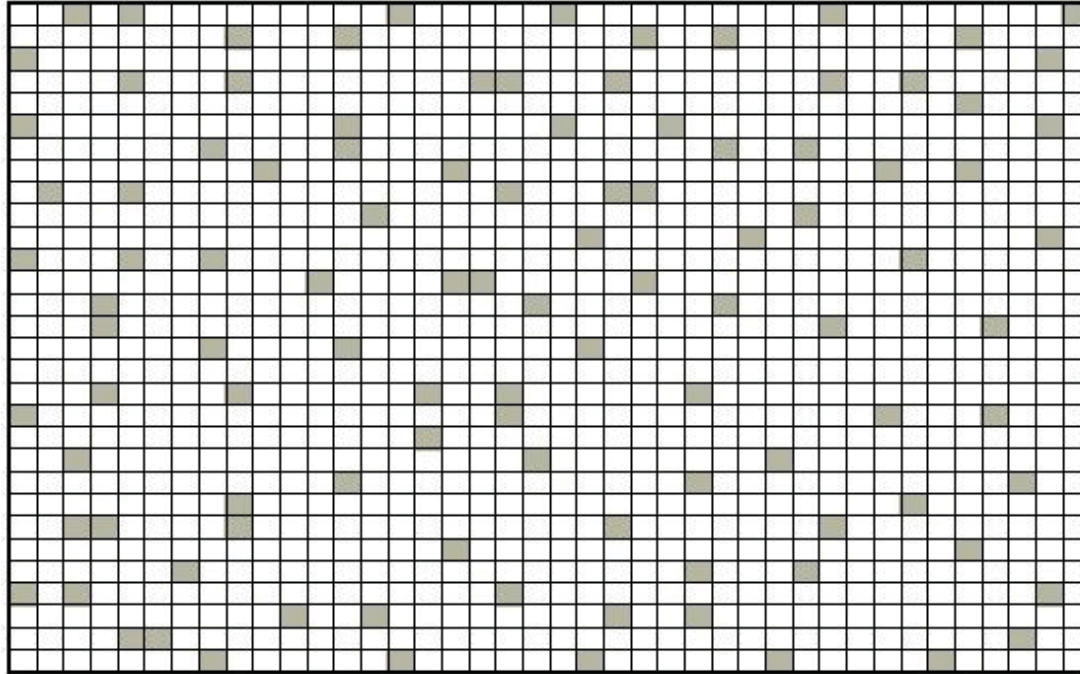
Are you insured for this?  YES  NO



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# Chances of Needing LTC

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Odds of you being hospitalized... 250 in 1,200

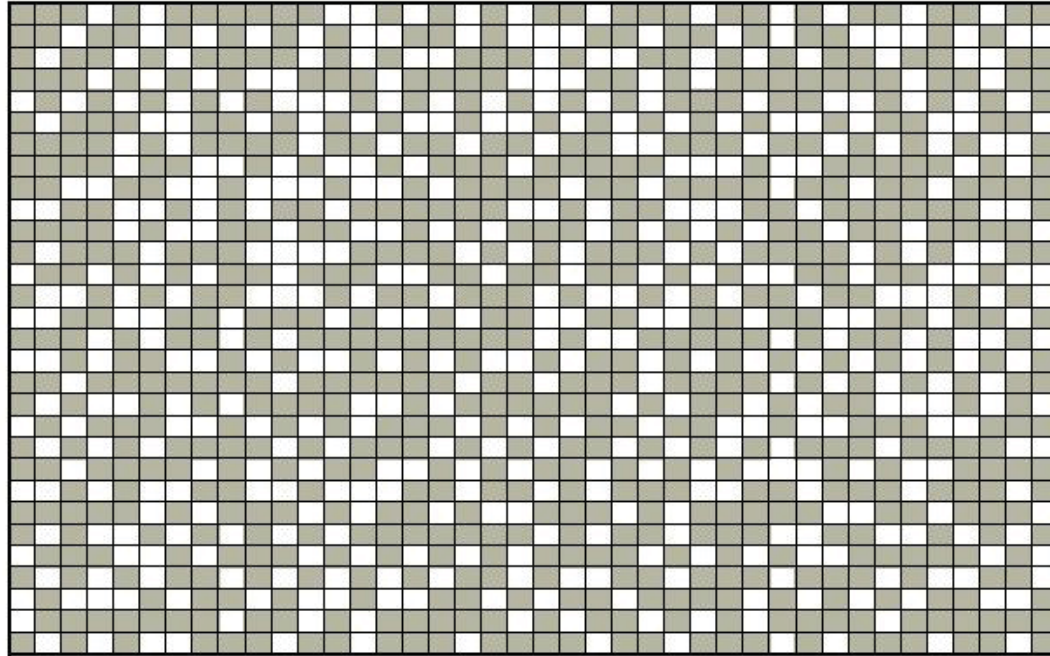
Are you insured for this?  YES  NO



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# Chances of Needing LTC

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Odds of you needing Long Term Care... 720 in 1,200

Are you insured for this? \_\_\_\_\_ YES  NO



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# Financial Planning and LTC

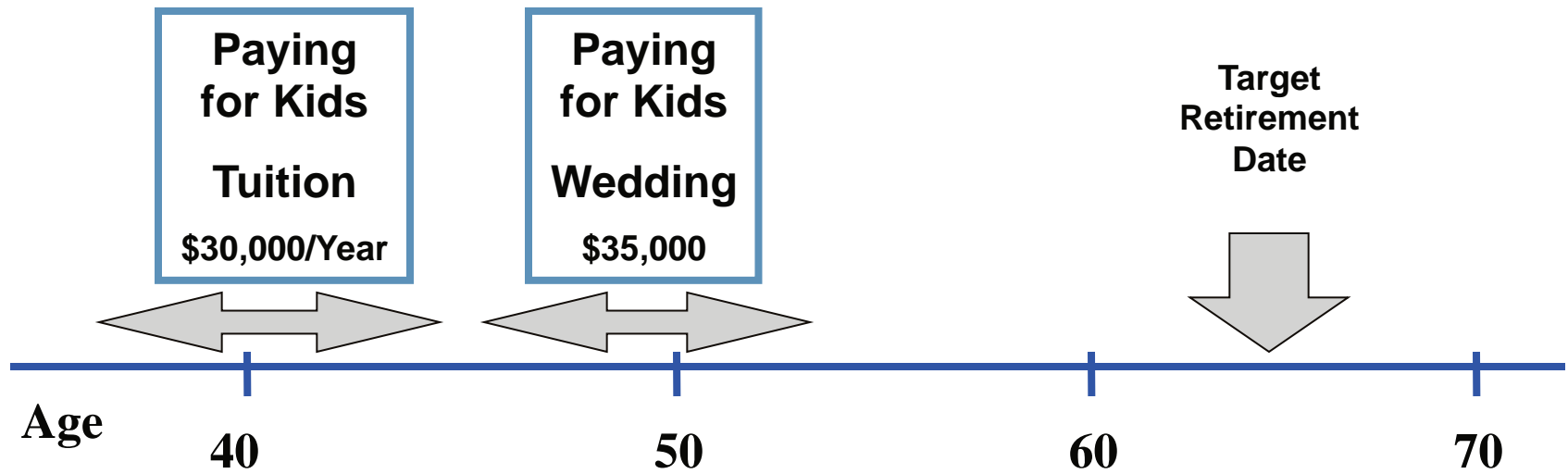
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You helped them plan for Johnny's college tuition, but what about when Johnny's grandparents need Long Term Care?



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# Life Events



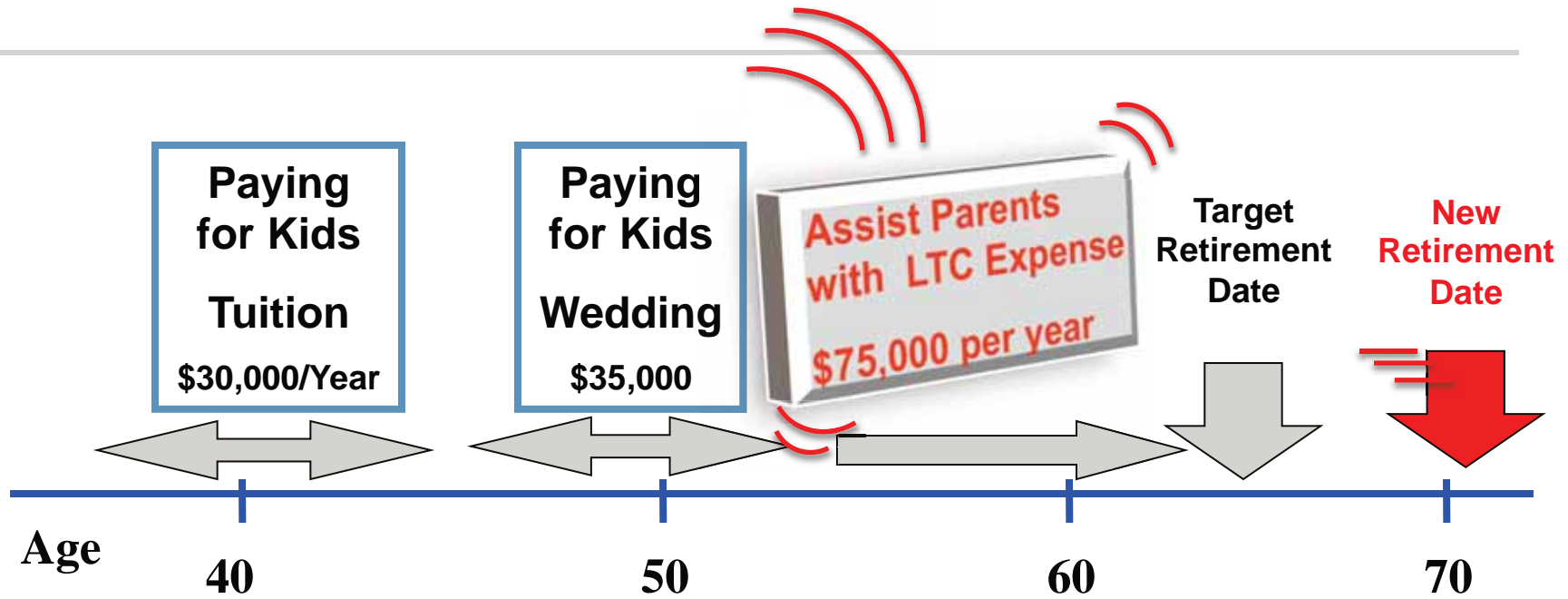
- Medicare pays 100% LTC for first 20 days\*
- 101<sup>st</sup> day on is 100% Private Pay
- Protect your 40-to-50-something clients! “The Sandwich Generation”

\*If followed by a long-term hospital stay



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# Life Events



- Medicare pays 100% LTC for first 20 days\*
- 101<sup>st</sup> day on is 100% Private Pay
- Protect your 40-to-50-something clients! “The Sandwich Generation”

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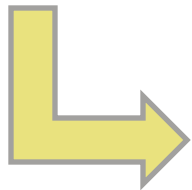
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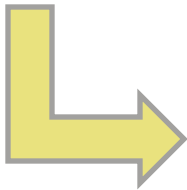
# Paying for Long Term Care

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Can your client's parents afford \$84,000/Yr (\$7,000/mo) for nursing home care? Each? Yes  No



Do they have an LTC policy?  
Yes  No



Does your client's financial plan include \$84,000/year for parent's care?  
Yes  No



Does your client plan to have their parents move in and be their care provider?  
Yes  No



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# Paying for Long Term Care

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- Cash
- Medicaid
  - Liquidate assets and eliminate income to qualify
  - 5 year look back
  - No private rooms
  - Usually nothing left for heirs
- LTC Insurance
  - Traditional (LTC Only)
    - Expensive
    - May or may not be used
  - Asset based LTC insurance
    - (A better strategy)



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# Asset Based LTC

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- **Single Premium Long Term Care Insurance (SPUL)**
  - A Universal Life Policy with a LTC and 100% Premium refund riders
- **Example**
  - Female - Age 69 - Good Health
  - Single Premium: \$100,000
  - Long Term Care Benefit Limit: \$353,466
  - Maximum Monthly Benefit: \$4,909
  - Care Benefit Duration: 6 years
  - 100% Return of Premium Rider: \$100,000
  - Death Benefit: \$117,822
  - Residual Death Benefit: \$11,782
- **Estate remains intact for heirs!**



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# Leveraging an Existing Asset for LTC Protection

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- Client has existing assets parked in CD's, Fixed Annuities or in other low-risk investments
- ...or Client has money saved for “rainy days” – The biggest risk to that money is a potential long-term care need



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# Leveraging an Existing Asset for LTC Protection

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- Client repositions money into a Single Premium Universal Life (SPUL) policy with Long Term Care and Return of Premium riders.
  - Client can surrender the contract at any time and receive the entire premium back (minus any loans or withdrawals)
  - If Client needs long-term care, 2 to 3 times the initial premium deposit is typically available to pay for all types of care.
  - If Client does not need long-term care, a death benefit is paid to the beneficiaries income tax-free\*

\* Not tax advice, consult a tax professional.

# Leveraging an Existing Asset for LTC Protection

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- Other advantages of SPUL's
  - Simplified Underwriting: Medical underwriting is usually a telephone interview only – no exams, lab work or doctor's statements.
  - Safe and Secure — No market volatility.
  - SPUL's are the perfect addition to a well-balanced portfolio



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# Single Premium LTC UL (SPUL)

Case Study: 69-year old female, healthy non-smoker, \$100,000 single premium into a SPUL.

Premium



Lifetime Return  
of Premium

Death Benefit



Tax and Probate  
Free Death Benefit

Long Term Care Benefit



Income Tax Free Long  
Term Care Benefit



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# Win

# Win

# Win

## The Parents



- Not a burden
- Quality of care
- Estate preserved

## Your Client



- Improved Financial Plan
- Inheritance secured
- Plan more secure

## You

- Better Plans
- LTC commission/insurance production credits
- New potential assets
  - Parents
  - Siblings



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# LTC Bottomline

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## 1. Medicaid

- Can wipe out estate
- Nothing left for heirs
- Low quality care
- No private rooms
- 5 year look-back
- Recapture
- Eligibility to significantly tighten in near future

## 2. LTC Insurance

- Estate remains intact
- High quality of care
- Multiple care options
  - Nursing home
  - In-home care
- Death benefit (Select policies)
- 100% Return of Premium Rider  
(Select policies)
- Instantly leverage assets for care



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# Adding a SPUL to a Portfolio

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1. Identify emergency assets that will pass on to the heirs if never spent.
2. Move this money into a SPUL by paying a one-time premium.

The cash value will equal the premium paid and can be refunded at any time with a return of premium rider.



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# The Missing Link...

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**Q.** How to make LTC Coverage affordable to the mass market?



**A.** Reverse Mortgage

- Enables homeowners age 62 and older to convert some of their home equity into cash
- No health qualifications
- No monthly loan repayments\*

# Reverse Mortgage

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- Home Equity Conversion Mortgage (HECM)
  - Created by FHA in 2000
  - Lowered risk for lenders
  - No longer a product of last resort
  - Leaves remaining equity to heirs, not the bank
  - Access to \$50,000–\$400,000+
    - with no monthly mortgage payments
  - Loan does not have to be repaid until the last borrower permanently leaves the home, as long as the terms of the loan are met



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# Reverse Mortgage

## Example 1:

- Borrower Age: 70
- Home Value: \$700,000
- Balance owed: \$0
- Cash at Close: \$182,206
- Additional after 1 year: \$130,604



Illustration is for educational purposes only and assumes a borrower age 70 who resides in CA, financed fees in the amount of \$13,700.45, an adjustable initial interest rate of 2.670% . Note: Rates may increase for adjustable rate loans. Rate quote generated on 12/11/13. Rates are subject to change. Contact a UFA Reverse Mortgage Consultant to obtain a proposal.

\* Loan amount subject to change daily with interest rates and margins.



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# Reverse Mortgage

## Example 2:

- Borrower Age: 70
- Home Value: \$328,000
- Balance owed: \$0
- Cash at Close: \$102,729
- Additional after 1 year: \$68,486



Illustration is for educational purposes only and assumes a borrower age 70 who resides in CA, financed fees in the amount of \$10,600.95, an adjustable initial interest rate of 2.670% . Note: Rates may increase for adjustable rate loans. Rate quote generated on 12/11/13. Rates are subject to change. Contact a UFA Reverse Mortgage Consultant to obtain a proposal.

\* Loan amount subject to change daily with interest rates and margins.



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# Reverse Mortgage and LTC Options

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- Could provide **lump sum** for a one-time premium product
- **Tenured payment** could replace another income-producing asset that is currently performing poorly
- **No monthly mortgage payments** improves monthly cash flow and retirement lifestyle



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# Needs During Retirement Years

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- Additional income to prevent portfolio liquidation during a bear market
- Senior living technology
- In-home care services (postponing expensive care facilities)



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# Please Note

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- Reverse Mortgage proceeds are not to be used for the following:
  - Purchase of an annuity
  - Investment that poses any risk
  - Anything with a prepayment or cancellation penalty
- **Remember: Select a SPUL that includes a 100% return of premium rider!**



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# The 12 Step Plan

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1. Contact your senior clients and present the need for an LTC strategy.
2. Contact your age 40-50 something clients.
3. Explain the risk of not having an LTC strategy for their parents and the potential effect on their financial plan.
4. Arrange a meeting with the parents.

# The 12 Step Plan

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5. Explain the need for an LTC plan and show options.
6. Confirm payment options:
  - Cash, CDs, 1035 exchange (Go to step 10)
  - ...or Access home equity (Reverse Mortgage for those age 62+)



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# The 12 Step Plan

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## 7. To investigate Reverse Mortgage option:

- Go to [www.UFA Reverse.com](http://www.UFA Reverse.com) for the Reverse Mortgage Calculator
- Enter: \_\_ Birthdate \_\_ Est. Home Value (get from [www.zillow.com](http://www.zillow.com))  
\_\_ Balance owed \_\_ Zip Code

## 8. Register your client at [NewAdvisor@ufamerica.com](mailto:NewAdvisor@ufamerica.com)

- **Receive \$250 off of closing cost!** (Those registered online only)
- Loan officer will contact you or your client within 24 hours



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# The 12 Step Plan

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9. Reverse Mortgage closes.
10. Execute contract for appropriate LTC product, or consider Reverse Mortgage credit-line for those ineligible for LTC insurance to pay for in-home-care or other needs.
11. Offer portfolio evaluation and planning services to your new LTC client and their other heirs.



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# The 12 Step Plan

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12. Goal: Transfer their portfolio to your management.

Congratulations !

You have just increased your Assets Under Management

....at no additional cost

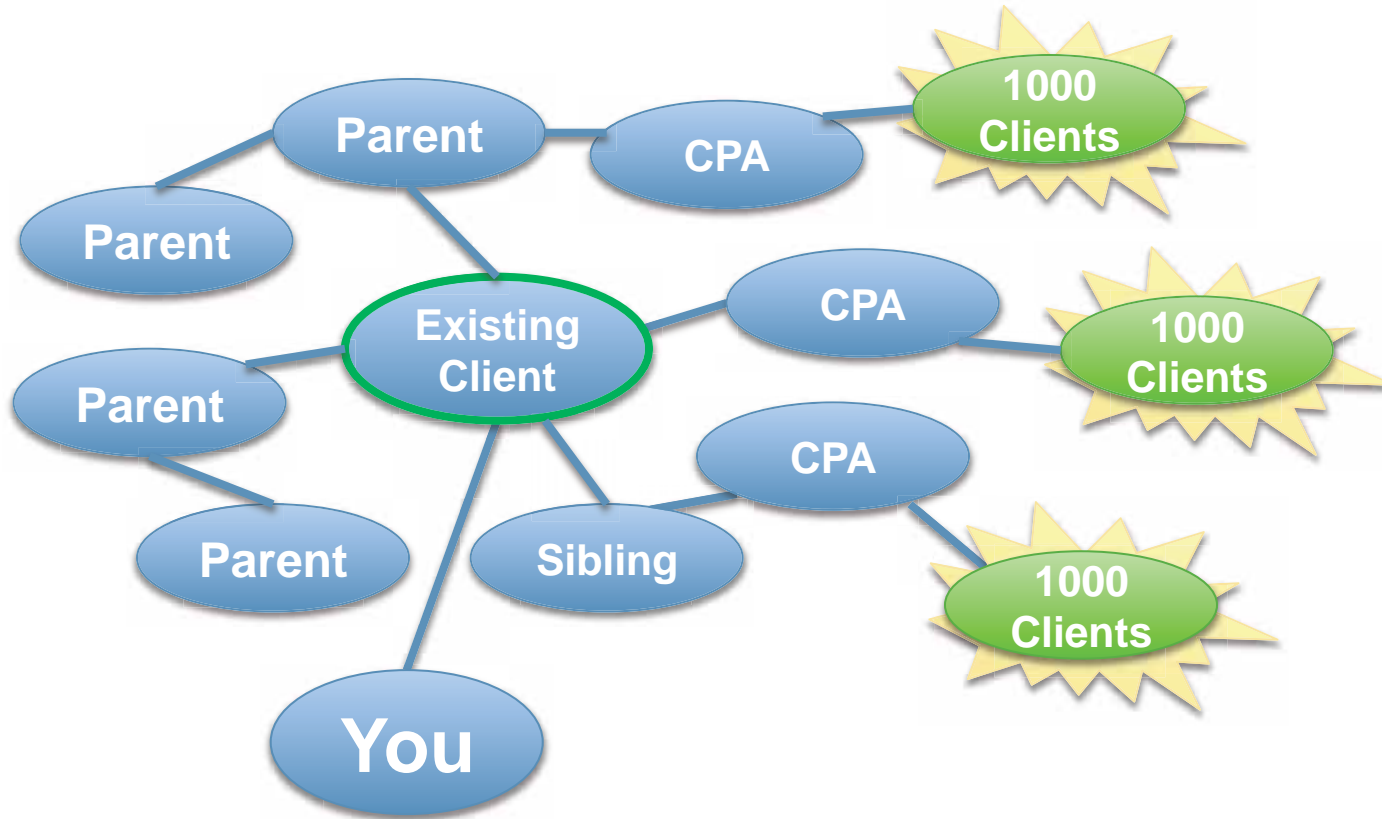
....and increased the security of your existing client's financial plan

...by asking one simple question.



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# Your Marketing Opportunity!



- 4+ Opportunities for LTC Policies
- 3+ Opportunities for New Wealth Management clients
- 3+ Opportunities for CPA Referral Relationships



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# Conclusion

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- Think about your book of business
  - How many clients do you have where you really know the details of an LTC plan for their parents?
  - Even if the parents are affluent, the **smart money** plan is to leverage assets
  - Start by making 5 to 10 client “checking-in” calls per day, and ask...

***“What about mom and dad?”***



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# Next Steps

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- **Download the Tracking Tool** (emailed by UFA)
  - Create a call schedule
  - Track with Urgency - Potential clients become ineligible for LTC insurance everyday due to newly diagnosed medical conditions
- **Select your SPUL product(s) of choice**
  - Product brochures usually available online
- **Additional Webinars Available** (Watch for UFA Email)
  - Feb 19<sup>th</sup> Live Replay of this presentation
    - For you, partners, managers
    - Feb 20<sup>th</sup> Reverse Mortgage CE Course for CFPs
  - Register at [NewAdvisor@ufAmerica.com](mailto:NewAdvisor@ufAmerica.com)
  - NewAdvisor.com website coming soon!



# Thank You

To learn more, please contact:

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