

Single-Premium Life...An Annuity Alternative?

By Bill Kauffman

Director, Life and Annuities Marketing

With all the scrutiny and upheaval going on in the annuity marketplace, agents have a right to be concerned. Carriers you've done business with for years are suddenly out of the annuity market or have severely curtailed their new business and recruiting. For many, the timing could not have been worse as demand for fixed annuities remains at an all-time high, but many are left with nowhere to place their business.

Carriers are pulling the reins for a variety of reasons. Some are actually getting more business than they can physically handle, given staff reductions as a result of the economy. But even those with the proper staffing have had to reduce their incoming business due to the lack of capital and financing in the financial markets.

Last week, we discussed this issue from an agent's perspective, stressing the importance of working with a strong IMO that has well-established and ongoing relationships with a number of carriers. But what about your customers? What are they to do if they're looking for a safe haven for their savings and are finding the annuity doors are closed? One viable solution that nobody seems to be talking about is Single-Premium Life Insurance!

Now more than ever consumers should be gravitating toward life insurance as a place for their safe money. For one thing, the same carriers that are reigning in their annuity sales are fighting as hard as ever for your life business. The reserving process for life business does not place the same strain on a company as annuities. Therefore, it has never been easier or less costly for your clients to buy life insurance. All carriers are using the new, reduced mortality tables and all have a mixture of term, whole life and universal life to choose from.

That brings us to Single-Premium Life. We all know that most of your clients' investments are worth less today than they were a year ago. Why not take some of that remaining wealth and use it as leverage to purchase a single-pay life policy that can replace everything they lost in the market?

Let's take the example of a 65-year-old who was worth \$1 million on paper a year ago. Let's assume his holdings are now worth closer to \$500,000. Assuming this 65-year-old is insurable, he could use a small portion of his investable assets (the \$500,000) to purchase a life insurance policy and pay for it on an annual basis. But if the \$500,000 was purely discretionary and was simply going to be passed to the next generation anyway, why not leverage this amount by purchasing a single premium life policy?

By purchasing a \$500,000 single-premium life policy, he would then pass along \$1 million to his loved ones or favorite charity TAX FREE! By any calculation, \$1 million tax free beats \$500,000 taxable any way you want to look at it.

So dust off those old rate sheets or call us today 1-800-786-5566 to get an illustration. We can show you how to stretch those investment dollars and put them to work for your clients.