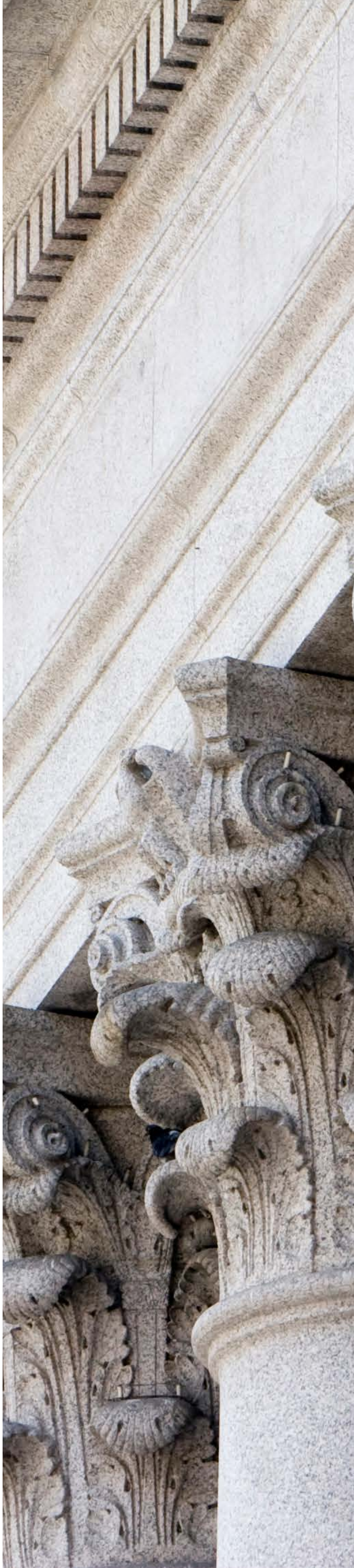
Advanced Markets Blog

Providing security in times of uncertainty



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We are in unprecedented times. The novel coronavirus is impacting nearly every aspect of daily life – shuttering workplaces, schools and restaurants and shifting our global society indoors. It is temporarily redefining the way we work, learn and live. Periods of uncertainty like this are daunting and raise questions like will our health care system be overloaded? Will my loved ones or I get sick? How will unstable markets impact not only our industry but the economy as a whole?

Plans last week look very different than plans today. And we are still in the early stages of understanding what our future will hold – both near- and long-term. With that in mind, now is a good time to revisit financial plans to ensure they adequately address the "what ifs" that life will inevitably bring.

Here are a few ways to help clients be more prepared for their current situation, as well as what may lie ahead:

1. Protect families from the unexpected

A global pandemic can understandably raise the question, "How would my family be impacted if something happened to me?" The inherent purpose of life insurance is to provide a death benefit when it is needed most – to help replace income, cover final expenses, and help keep a family financially stable and secure after experiencing a loss. There is no time like the present to review clients' needs for protection and consider the flexibility and benefits permanent insurance can offer.

What’s more, if children are now suddenly at home, working parents may have a newfound appreciation for a stay-at-home partner, not to mention the childcare providers and teachers in their lives. Consider how the family unit would be impacted if something happened to a stay-at home parent and if that would mean reduced hours for the working partner or increased childcare costs. Don’t forget the importance of reviewing coverage on both spouses, not just the primary earner.

Life insurance is more than just providing financial protection at death. It also creates an opportunity to talk to clients about their plans for covering unexpected costs both during working years and in retirement. Consider how access to tax-free benefits not correlated with market returns can be used to pay for long-term care expenses. Life insurance can help create a stable financial resource especially when there are uncertainties in the market.

2. Hedge against market exposure

Your clients will likely experience years of both below-average and above-average market returns with the goal of receiving long-term average returns close to an assumed rate. However, the timing of these returns can have a significant impact on the health of clients’ finances during retirement years. This “sequence of return risk” is centered on the notion that if accounts underperform in a down market early in the retirement distribution phase, it can be difficult to make up those losses later on.

As an asset class, permanent life insurance can act as an excellent hedge against market risk. Depending on the type of product, the sequence of return risk is minimized. For example, the fixed account of cash value products provides a stable yield to minimize risk, and in indexed UL products, the indexed accounts have upside potential with limited downside exposure. If your clients have policies with significant cash value build up, it could be advisable to take withdrawals as a source of tax-free income now while we watch the markets over the next few months. For other clients, emphasizing that a permanent life insurance can provide flexibility in a down market is key to future planning.

3. Revisit estate plans and other beneficiary designations

When was the last time your client’s estate plan was reviewed? Does your client have a Health Care Proxy? A Health Care Proxy gives a trusted individual, known as a “health care agent” the legal authority to make medical decisions on your behalf if you are unable to do so yourself. A Health Care Proxy reflects your wishes as to what medical treatment you may or may not want to receive and provides your health care agent with guidance to execute those desires.

The other documents that should be immediately revisited are your client’s Last Will & Testament and Durable Power of Attorney. Appointing a guardian and conservator under the Will is critical if there are minor children and the Power of Attorney gives a trusted individual the authority to make decisions related to your client’s legal and financial affairs. These tools are critical if the client becomes mentally or physically incapacitated. .

For life insurance and qualified plans, when was the last time beneficiary designations were reviewed? These assets with named beneficiaries can provide immediate liquidity when it’s needed most. Keep revisiting beneficiary designations to ensure they align with current plans.

Putting these documents and plans in place today and revisiting routinely can help alleviate stress, avoid familial conflict and provide clarity during times of crisis.

In summary...

We are living in very uncertain and unnerving times, but our commitment to the firms, advisors and clients we serve is unwavering. Together, we will overcome the current challenges and prepare for future ones, ensuring your clients have the tools and products they need to plan for their goals and needs, and protect their families.

Where can I learn more?

- **Needs analysis**
- **Invest in your life**
- **Retirement Backstop**
- **Beneficiary BYA**

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