

# ESTATE PLANNING COUNCIL OF NASSAU COUNTY 10/20/2022 MTG AGENDA

Location: Encore Luxury Living – Jericho, NY

Date: October 20, 2022

Time: 08:30am – 10:00am

Presenter: John G. Brady

Moderator: Mark Mohtashemi

## Agenda Items

09:00am – 09:05am  
Mark Mohtashemi

### Introduction/Bio John G. Brady:



John Brady is a specialist in the design and implementation of advanced planning strategies for families of significant wealth, entrepreneurs, and professionals. For most of these clients, this involves working with their advisors to establish, fund and leverage multi-generational wealth strategies, frequently in tandem with philanthropic techniques.

30+ years of financial services experience with specialization in estate, wealth, charitable and business succession planning for ultra-high net worth families and business owners with estates ranging from \$5 million to \$2 billion.

09:05am – 09:10am  
John G. Brady

### Opening Observation:

- It's nearly impossible for most people to understand the critical differences between life insurance products, and subsequently what is best for them. This is preventing a lot of people from making a smart decision that will keep the people most important to them safe.
- Case Story about Bob and Carol, their two children. This case is an example of [getting to] know the client, and the context of their lives for delivering the best solution. Had I done what the client initially asked, versus, doing my due diligence and taking responsibility for the conversation; this family would have been devastated. They were picking the wrong person.

09:10am – 09:20am  
John G. Brady

### **A Problem:**

- As an attorney, clients have, and will continue to look to you, and ask your advice, or opinion on subjects you may not be legally licensed to advise them on, such as Life Insurance.
- The problem with sharing an opinion, is clients often hear it as a "professional" opinion, or worse a professional recommendation.
- Case Story about an attorney who really liked and strongly encouraged his client to enter a Premium Financing deal. The client is now in debt \$12.0MM, not happy, and I've been asked to come in and offer solutions. (*This was not my client when the case was sold*). We have all been unhappy with something in hindsight. However, this is not just unhappy, the client feels the "recommendation" may not have been appropriate.

09:20am – 09:30am  
John G. Brady

### **Safe Consulting/Guiding:**

- Wouldn't it be helpful to have a process where you can be a value add for your client with "guidance", and avoid stepping over any lines of compliance?
- Your desire to be the best legal advisor for your client does not have to involve compliance land mines.
- Attached – Deductive Evaluation Form/Process: providing this simple tool to you client helps them help themselves. It prepares them for the conversation they will be having with whoever is providing insurance guidance. It also allows you to avoid any misconception of representing yourself as giving advice that only a licensed agent is authorized to provide.

09:30am – 09:40am  
John G. Brady

### **Understanding Permanent Life Insurance Policy Types:**

- Traditional Universal Life (interest crediting rate)
- Guaranteed Universal Life
- Variable Universal Life (multiple Mutual Fund choices)
- Guaranteed Variable Universal Life
- Indexed Universal Life (Various Index portfolio choices)
- Guaranteed Indexed Universal Life

### **Policy Insureds:**

- Individual Life
- Joint Life (i.e., 2<sup>nd</sup> Die)
- Attached – Pricing example of all the above policy types for the same amount of Death Benefit at three different ages 65, 70 and 75. New York as well as non-New York.

- If your client has a vacation home outside of New York, it's worth investigating the situs of the Trust or the outright ownership be in that other state.

09:40am – 09:55am  
John G. Brady

### Understanding “Temporary” Life Insurance Policy Types (i.e., TERM):

- TERM Policies **are not** all created equal
  - Isn't it as easy as “Get the cheapest” policy? No!
  - Conversion Rights and how they work
    - What is a conversion right?
      - A conversion right is the ability to turn a Term Life (i.e., temporary policy) into a Permanent (i.e., Permeant) policy that will last your entire life. The advantage of conversion is that you have the right to purchase the new permanent policy at your original health status and do not need to answer any medical questions partake in any medical exams. The new policy is at your attained age, but your original health. This is a tremendous advantage.
    - Conversion available for less than the level term of years (5, 7, 10)
    - Conversion available for the entire level term period (*however*)
      - For the first “X” number of years the Term policy is convertible to all permanent life products in the insurance carrier’s portfolio. After “X” number of years it changes to being only convertible to specific eligible policies (“*eligible*” is code for expensive) ~~-or-~~
      - A policy can be convertible for all level term years, ~~-and-~~, for any product in the insurance carrier’s portfolio of permanent policies.
    - Convertible to 2<sup>nd</sup>2 Die
      - There are a limited number of carriers with favorable conversion rights that permit conversion to 2<sup>nd</sup>2 Die. This can be up to double the amount of the lesser insureds policy face value (for ex: Husband has \$500,000 of Term Life and the Wife has \$750,000 of Term Life. And they have the right of conversion to 2<sup>nd</sup>2 Die. Using the

formula of double the amount of the lesser insured (in this case the husband), they would be permitted to take \$500,000 of Term each and “convert” it into \$1,000,000 of 2<sup>nd</sup> Die, at their attained age, and their original health (even if their health were severely impaired).

- Case Study – Advisor asked for help with a client who was suffering from Parkinson’s Disease. After reviewing his policies,
  - I found that one of his policies had a conversion right, and that privilege was going to expire in two weeks. He could convert, even with his Parkinson’s to a Preferred underwriting status.

09:55am – 10:00am  
John G. Brady

**Closing comments:**

- Your clients will continue to ask your advice, or opinion on subjects outside of the scope of your legal license such as Life Insurance. We know the potential problems with these requests. However, handled properly I believe it is possible to gently guide clients to be able to help themselves with the right tools. The *Deductive Evaluation Form/Process* I shared with you today may seem so simple and elementary, however, for your clients who have zero idea of where to start, it’s a greatly appreciated tool. Without “giving a recommendation” you can still provide the value of giving them a track to run on, a map with questions they didn’t know, they didn’t know.
- I hope the “Case Story” examples provided some valuable context to the risk of not understanding a client’s situation through the eye of an experienced agent. We all see through the filter of our training and experience, that is why I tell clients they must have an experienced attorney in their planning process for legal affairs. And I believe attorneys share the same view regarding Life Insurance.
- If any of the information today requires additional clarification, or a week from now you can’t recall how something works, call or email with any questions.