

# THE ADVISOR QUARTERLY



winter 2014 issue FIFTEEN

## 2013 Year End Review

*2013 was our best year ever and we owe a great debt of gratitude to those advisors who helped make it a success. We started the year with lofty goals for both our sales and brand efforts and we achieved numerous successes.*

Here's just a sampling of the things we did in 2013:

- » Achieved our best sales year ever
- » Rolled out our exciting, industry-changing deferred compensation program for our Advisor affiliates – ARC (the Advisor Recognition and Compensation program)
- » Re-launched our brand by overhauling our website, our materials, our webinars and more
- » Rolled out a traditional premium financing offering, enabling Advisors to offer GFD solutions to a larger group of potential clients

We couldn't have accomplished a lot of these goals without significant support from many Advisors. We want to thank you very much for the help you provided us throughout the past year – and we look forward to the continued relationships in the future.

2014 is shaping up to be a year of accomplishments and successes to match – or possibly even exceed – 2013. We won't be able to achieve that success in 2014 without help from Advisors like you.

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# NAILBA 32 MISSION COMPLETE: Financing Success With GFD



In November, GFD was excited to once again exhibit at the NAILBA 32 show – this time with a very special guest: **Apollo 16 Lunar Astronaut, Brigadier General Charlie Duke!** General Duke (he prefers Charlie) was gracious enough to come and join GFD as we kicked off our new look at one of the most important events of the year for the insurance industry.

Held at the Gaylord Texan Resort & Convention Center in Dallas, TX, this year’s NAILBA Annual Meeting offered GFD a chance to reconnect with old friends and make some new ones too.

For those of you who could join us, we appreciate your coming by. Hopefully, you had an opportunity to visit with Charlie and receive an autographed photo of his walk on the moon.

For those who were unable to attend, here are a few photos to show you what you missed. We look forward to seeing you at NAILBA 33 at the Westin Diplomat in Hollywood, FL on November 20-22, 2014.





# CASE STUDY

## Self Funding vs. Financing of Premiums

WHAT ARE THE REAL “COSTS” AND “SAVINGS” ASSOCIATED WITH FINANCING PREMIUMS VS. PAYING THEM DIRECTLY? SIMPLY COMPARING PREMIUM COST VS. INTEREST EXPENSE OVER A TIME PERIOD DOESN'T PROVIDE AN ACCURATE PICTURE OF THE ACTUAL ECONOMICS INVOLVED WITH THE TRANSACTION. IN THIS CASE STUDY, WE TAKE A LOOK AT A PROSPECTIVE CLIENT WHO HAS THE MEANS TO PAY THE PREMIUMS DIRECTLY FROM EXISTING ASSETS BUT IS CONSIDERING PREMIUM FINANCING INSTEAD.



John Dahl, 61, is an independent businessman who's achieved success in the agricultural machinery industry. Healthy and still young, he realizes that he needs to begin planning for the transition of his estate in the next several years. His financial advisors present him with several options, but a cash value life insurance policy quickly rises to the top of the list as a means of funding his estate planning requirements. The question that arises is how to pay the premiums? Mr. Dahl can either pay the premiums directly from his available assets or he can create and fund an irrevocable life insurance trust (ILIT) that will borrow the funds necessary to fund the premiums. The comparison below shows the expected costs of each approach.

YEAR	SELF-FUNDING	PREMIUM FINANCING
1	\$355,511	\$15,139
2	\$355,511	\$30,278
3	\$355,511	\$45,417
4	\$355,511	\$60,555
5	\$306,096	\$73,590
6-20	\$0	\$73,590
Total of Payments	\$1,728,140	\$1,328,829
Total of Payments (plus loan repayment)	N/A	\$3,056,965

At first glance, when loan repayment is considered, the case was tilted heavily in favor of using his own funds – but, with Premium Financing, Mr. Dahl (and his family) would actually end up vastly better off. The following tables illustrate the difference between self funded premium financing vs. premium financing:

Note: the illustration above assumes \$5,000,000 death benefit and repayment of borrowed funds from a source other than policy cash value. Assumes an annual fixed interest rate of 4.2%.

SELF FUNDING PREMIUMS			
YEAR	OUTLAY	RETAINED ASSETS (RA)	FUTURE VALUE of RA*
1	\$355,511	\$0	\$0
2	\$355,511	\$0	\$0
3	\$355,511	\$0	\$0
4	\$355,511	\$0	\$0
5	\$306,096	\$0	\$0
6-20	\$0	\$1,103,850	\$1,849,245
Total Retained Assets	\$1,728,140		\$1,849,245
Future value of RA less initial outlay			\$121,105

\* Future value assumes growth through end of 20 year period at illustrated policy growth rate

PREMIUM FINANCING			
YEAR	OUTLAY	RETAINED ASSETS (RA)	FUTURE VALUE of RA*
1	\$15,139	\$340,372	\$1,230,965
2	\$30,278	\$325,233	\$1,099,266
3	\$45,417	\$310,094	\$979,530
4	\$60,556	\$294,955	\$870,755
5	\$73,590	\$232,506	\$641,491
6-20	\$1,103,850	\$0	\$0
Total Retained Assets		\$1,503,160	\$4,822,007
Loan Repayment			\$1,728,140
Future value of RA less interest expenses and loan repayment			<b>\$1,765,041</b>

\* Retained assets for premium financing assumes investment of difference between self funded and financed premium payments

\*\* Future value assumes growth through end of 20 yr of assets outside the policy at a rate identical to illustrated policy growth rate

## CASE STUDY (con't)

As the numbers in the tables show, in the first five years, premium financing enabled Mr. Dahl to use only a fraction of his resources to fund the life insurance policy premiums necessary to meet his estate planning goals. This freed up those resources to be put to use in other ways that could generate significant returns starting immediately.

At a rate of return similar to that assumed in the policy illustration, Mr. Dahl could earn over \$3,300,000<sup>1</sup> of additional income by putting to work the assets he kept control of using the premium financing approach.

Call us to see if a Leveraged Planning for Individuals™ solution from GFD is the best means to meet your client's estate planning needs AND maximize his expected return on assets over the years to come.

- <sup>1</sup> Reflects difference between present value of retained assets and expected future value
- > GFD does not provide tax advice. All clients must confer with their financial and tax advisors on matters of deductibility or tax treatment.
  - > The client's loan utilized a floating interest rate based on the 1 year LIBOR rate plus spread.
  - > Policy growth assumed as illustrated.
  - > Results will vary depending on interest rates and policy crediting rates.
  - > Mr. Dahl is a hypothetical client; program specifics are based on actual loan and insurance policy illustrations.

## upcoming **WEBINARS**

### FEBRUARY 2014

#### MANAGING THE CASE PROCESS

FEBRUARY 19, 2014, 3:00pm - 4:00pm ET

### MARCH 2014

#### UNDERSTANDING LEVERAGED PLANNING SOLUTIONS:

PLANNING OPTIONS FOR BUSINESSES AND INDIVIDUALS

MARCH 5, 2014, 3:00pm - 4:00pm ET

#### POWER PROSPECTING:

IDENTIFYING THE RIGHT CLIENTS

MARCH 11, 2014, 3:00pm - 4:00pm ET

#### MANAGING THE CASE PROCESS

MARCH 19, 2014, 3:00pm - 4:00pm ET

You can register for any of these webinars or view the full webinar schedule by accessing the Webinar Calendar under the Resources tab available at [www.globalfd.com](http://www.globalfd.com).

## 5 Tips for Smooth Sailing

Getting cases submitted and processed smoothly is one of our top priorities at GFD. There are many things an advisor can do to ensure that their case proceeds smoothly through the pipeline and closes successfully. This year, we will continue to provide a few tips in every newsletter that will help you process cases quickly and efficiently.

# 1 2 3 4 5

Ensure the "Income Information" on the LUF is Individual Income (not company revenue) and that it matches with what is on the client's Tax Return

Ensure the client provides signed copies of tax returns – if the return was filed electronically, please have the client sign the copy that we receive

Be sure to let GFD know the carrier you are using so that we may get you carrier specific premium finance forms

Send the Life Insurance application to us for review, not to the carrier directly, so that we may conduct a final review

Ensure any bank issuing a Letter of Credit has an A1 rating by S&P and a P1 rating by Moody's



# Spotlight on: Brandi Pyles



*Director of Sales and Finance, Brandi Pyles, plays an integral role at GFD. With nearly 15 year's experience in the insurance industry, Brandi brings extensive cross-functional expertise in both IMO and carrier environments. Brandi took a few minutes out of her schedule to answer a few questions about her background,*

*share some advice, and identify some trends she sees coming in 2014.*

## How long have you been in the insurance industry?

*I started in this industry nearly 15 years ago. It was a very natural career choice for me since my father was a P&C Career agent my entire life.*

## Where did you get your start and what brought you to GFD?

*As I mentioned, it was in my blood. When I entered the insurance industry in 2000, I started working with an RVP with Jefferson Pilot Financial (now Lincoln Financial Group). From there I worked with local agents in Mass Mutual offices and was recruited to Old Mutual in 2004 to work with Al Harrington who is now the President here at GFD. I left OM to help run an FMO for several years and then, in 2012, Al asked me to join him here.*

## What is the #1 contributor to your success?

*Taking the time to understand what the client is trying to accomplish and determining the best way to help. I have never thought of myself as a sales person. I think of myself as a person that likes to learn, educate and solve problems – and if the reactions I get from Advisors are any indication, my perceptions are good.*

## What single piece of advice do you always give to the agents you work with?

*Ensure the need is there. If the client cannot find a need or value in the insurance, a Leveraged Planning solution is not for them. That being said, some Advisors may have a harder time identifying the need because they don't necessarily do what we do as their primary line of business – for those Advisors, I would say "give us a call, that's one of the many areas where we can help you identify a need – if it's there."*

## What trends do you see for 2014?

*I see our agents becoming better acquainted with our platforms, but I also find the carriers are becoming more selective on the business they accept. I think we all need to continue to ensure we are bringing qualified clients and submitting clean case documentation - this will help cases be processed more smoothly on our side and help to insure carriers are comfortable with what is being brought to them.*

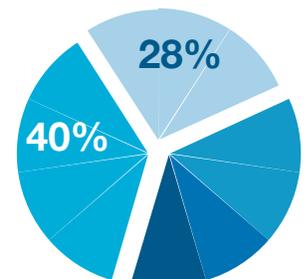
## interesting STATISTICS

About **96%** of dentists cannot afford to retire comfortably and maintain the lifestyle they enjoyed while practicing.

Source: American Dental Association

A recent survey conducted by TD Ameritrade, found that 40% of self-employed individuals weren't saving regularly for retirement, and 28% weren't saving at all.

Source: TD Ameritrade





The second year of the industry's only non-qualified, restricted deferred compensation program – ARC – is officially in the books. 2013 saw even more Advisors qualify for, and earn deferred compensation for, this exciting program that helps build future earnings from their efforts today.

## PROGRAM UPDATE

In case you've missed our prior communications – or if you're new to GFD – ARC provides Advisors with something they can't get from anywhere else in our industry – a deferred compensation program based on current AND subsequent case fundings.

Put simply: eligible Advisors who close qualifying cases earn credit both for the first year funded amount and for the subsequent premium fundings the client receives in the following years. With a relatively short 6 year vesting period and the opportunity to earn significant additional compensation for persistent producers, the ARC program is a powerful incentive for many Advisors seeking to enhance their earning potential in the coming year.

2014 could be the year that you crank up the voltage of your earnings with ARC. Contact us today to learn more and see how you can qualify!



## LEADERS IN LEVERAGE:

## PRESIDENT'S AWARD WINNER

2013 MARKS THE SECOND YEAR FOR GFD'S LEADERS IN LEVERAGE SALES RECOGNITION AWARDS! WITH A NEW HIGH IN SALES PERFORMANCE CAME A NEW PRESIDENT'S AWARD WINNER. THIS YEAR, WE ARE EXCITED TO CONGRATULATE **MR. KIM COULTER OF NORTH STAR BROKERAGE** ON HIS SUCCESS IN BUILDING LEVERAGED PLANNING® SOLUTIONS INTO A CORE COMPONENT OF HIS MARKETING STRATEGIES.

Mr. Coulter took some time out of his day to answer a few questions for us.

**GFD: Briefly describe you, your business and your client focus.**

*Coulter: I've been in the Insurance and Financial Services Industries for just over 34 years and I work with Advisors in 41 states. As a National Insurance Wholesaler / FMO / IMO / BGA, my firm (Northstar Brokerage) is focused on providing each Advisor with the training and skills to "recognize and identify" opportunities.*

**GFD: How did you come to include Leveraged Planning® solutions among your business offerings?**

*Coulter: Our experience and dedication in and to the premium finance space dates back over 15 years,*

*therefore Leveraged Planning solutions were a natural fit for us when we began working with GFD.*

**GFD: Who, in your mind, is the ideal candidate for a Leveraged Planning solution and what does their business look like?**

*Coulter: Northstar Brokerage believes that the ideal individual and/or company must have a net worth in excess of \$2.5m and income or revenue of at least \$250k annually. We define a candidate as anyone or any business that simply finds the "net after tax out-of-pocket cost of premiums" unacceptable relative to their preferred funding objectives and methodology. Also, the potential insured must, of course, be insurable.*

**GFD: What is the most common reason that your advisor's clients identify for looking into Leveraged Planning solutions?**

## Leaders in Leverage: President's Award Winner (con't)

*Coulter: Technically, our client IS the Advisor! That being said, we hear the Advisors' clients all acknowledge they have a need for life insurance but, for whatever reason, simply don't want to allocate out-of-pocket resources required for premium expenditures.*

### **GFD: To what would you ascribe your success in implementing Leveraged Planning solutions among your advisors' clients?**

*Coulter: Patience and consistent dedication to first listen to each Advisor who is looking for assistance, counsel and guidance to a client problem. Second, our team's ability to recommend and implement a solution that is both compliant, and equally as important, one that is suitable.*

### **GFD: For someone just becoming acquainted with Leveraged Planning solutions, how would you advise them to begin prospecting?**

*Coulter: First: start with the "circles of influence" within one's immediate reach! Second: Get Involved, Get Engaged and Get Recognized! By this I mean, get involved in your communities, get engaged in your local community business and civic organizations (Chamber of Commerce, Rotary Club etc.), get involved with Charitable Organizations, Universities, Foundations etc. Quite literally don't be afraid. Getting involved and engaged is the easiest path to being recognized by the wealthy individuals and successful business owners you're striving to meet and advise.*

### **GFD: What do you see as the biggest challenges in educating clients and prospects about Leveraged Planning solutions? How do you overcome those?**

*Coulter: For Advisors, there is no shortcut to acquiring the essential, and in my view, critically important education and training required to both recommend and implement compliant and suitable Leverage Planning solutions. In effect, this means one MUST align his or herself with a firm like Northstar Brokerage that provides a compliance approved and focused training*

*platform developed specifically for BOTH the Advisor and actual client.*

### **GFD: Where do you see the biggest opportunities in 2014 and beyond for growing your advisor's business? What general trends do you see in the industry and beyond?**

*Coulter: We believe the opportunity to assist Advisors, who themselves are advising and counseling wealthy and successful individual clients and /or successful businesses in the "retention of capital", isn't going away any time soon. We offer a free Professional Review Service which involves the review of any current in-force transaction to determine the continuing suitability for each client. After completing the review, our Advisor is able to recommend either keeping the existing transaction and structure or improving the existing transaction structure by one offered, for example by GFD. This service is designed to enhance a current in-force transaction without having to rewrite the life insurance policy. With a refinancing structured by Northstar Brokerage, clients need neither continue in an inferior structure nor suffer a loss nor get penalized unnecessarily for improving their current transaction.*

*With respect to industry trends: we continue to be optimistic, if not quietly elated, that carriers currently supporting the premium finance space will continue the trend of manufacturing and distributing products and riders which are consumer friendly to the transaction. Additionally, just like each of you reading this interview, it's not a question of "if" interest rates are going to rise, rather it's a question of "when?" It's therefore imperative one must to be aligned with an experienced and advisor focused vendors like G1 & Northstar Brokerage who are experienced in providing alternative solutions.*

*I appreciate the opportunity to have answered your questions today and on behalf of our entire team at Northstar Brokerage and the Valued Advisors all across America working with Northstar Brokerage, "thank you GFD for being GFD!"*