

Financial Scenarios LLC

How to Use Financial Scenario, LTC4 Retirement & Long Term Care Cash Flow Scenario

The Goal of the Scenario is to Very Quickly Qualify a Prospect in order to sell them Long Term Care Insurance. Part One and Part Two can be done initially over the phone or in person and then Part Three is usually done in person.

The help buttons work like tool tips, if you pass the mouse over the ? buttons, help appears and it disappears when you are no longer hovering. The help button will explain what needs to be entered.

Part One

To get started, you should first, **Click on the Cash Flow Tab** to show the dynamic graph and then begin to modify the numbers on the left using the arrows: (if you want to type the numbers you have to highlight the entire number then type over it) The other tabs LTC, Investment Income, and Non-investment Income are just backup data.

1. Age of the oldest working spouse (this also works well for a widow or widower).
2. Total amount of money he, she or they have for retirement
3. The Male-Female Button is just informational and looks up the Life Expectancy based on the 2001 CSO Table
4. Projected rate of return on that money (if you type in the rate, you must highlight the number and then enter .05 “point zero five” for 5%).
5. How much more they plan to save annually until that oldest spouse retires
6. How much income they will need monthly at retirement (today's dollars)
7. How much they would get from Social Security (today's dollars)
8. How much they will receive from a pension plan at retirement or any fixed benefits.
9. Plug in Inflation (the income requirements and the benefits from Social Security will increase at that rate, if you type in the rate you must highlight the number and then enter .03 “point zero three” for 3%).

After you have finished the questions on the left you can go over the graph and see how long their money will last. If you move the curser over the different graph lines the numbers for that year will pop up.

The client may actually be feeling pretty good about themselves and how well they have done.

Part Two

At this point you need to cause a Long Term Care Event to happen by plugging in the:

1. Daily cost of care \$170 Plus. (If you have a client worth millions of dollars or who claims to be able to get 10% on their investments over a long period of time, than just double the cost of care to pay for both of them and let them see what that does to their portfolio)
2. Increase in cost of care 5% to 8% (5.8% has been the recent average).
3. Age it happens (try 80 to start).
4. Click 1 year of care and watch the graph.
5. Then click 2 years and 3 years etc. You can stop at 3, 4 or 5 or whatever number of years that you feel the client will be comfortable with, or in most cases “uncomfortable with.”
6. Most people will either go broke or have a major hit to their retirement plan assets.

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7. You can also move the age that the LTC event occurs downward and they will just go broke that much faster.
8. Hopefully they can now see the potential problem. Now make an appointment to help fix the problem.

If you have done the First part of this presentation over the phone, then you will need to start from the very beginning again when you do the presentation in person.

Part Three

At this point you should now leave everything you have done in Part One, as is, and do one of the following:

1. Increase the amount they have to save until retirement to make them feel comfortable. This will usually be a great deal more than any Long Term Care Premium and the increase in savings may not be a feasible amount, especially if they don't have many years to save.

OR TO CLOSE THE LTC SALE!

2. Go over the cost of a LTC Policy. Then reduce the planned annual savings by the annual cost of a LTC policy and also increase the monthly income requirements at retirement to pay the premiums after retirement. This would also cover the premiums if they go up in the future since the retirement income requirements are tied to the inflation calculation. If they don't have any money destined for additional savings while still working, then they have other problems and probably aren't a prospect at this time.

When you complete the second option, you can then go back and reduce the Number of years of Long Term Care and or it's costs down to "0", since you have now moved that expense or liability to the insurance company, the Client no longer has to worry about paying that expense out of pocket.

Just Watch Them, Watch the Money Return!

They have now reduced their cost of LTC from Millions of Dollars to Thousands of Dollars.

They will probably run out of money a little sooner on the back end, but better the back end, then the front end. Once they have purchased the LTC coverage, you can now ask them if you can start working on their investment portfolio to take care of the back end problem. You have now added a lot more time to their ability to fix that problem, if there is one, as well. If the LTC event does happen, then waiver of premium will go into effect in and they will have more money than what the graph actually shows.

There are many other ways you can use the Scenario to qualify prospects or help them meet their goals of living comfortably through a long and prosperous retirement. Experiment with it on yourself or on your Associates and work out what the most comfortable approach is for you to use.

Insurance is a Solution looking for a Problem, The Scenarios Illustrate the Problem!

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