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WEDNESDAY June 25, 2008

DAILY NEWS

Day 2: An Outpouring Of Inspiration

By Linda Koco and Warren S. Hersch

On the second day of the Annual Meeting, thousands of MDRT members heard a succession of speakers who moved them, inspired them and caused them to cheer.

Jeffrey J. Taggart, president of the National Association of Insurance and Financial Advisors, spoke of the importance of advisors having examples to inspire and motivate them. A financial advisor with Taggart Company, Cody, Wyo., he said was fortunate to have such models in his own family: he is a third generation member of both MDRT and NAIFA, and his father served as president of both organizations.

"I learned early that by giving to your profession, you are able to grow," he said.

In the year he first qualified for MDRT, he said delivered a $2,000 check to a widow, whose late husband had purchased the life policy from his grandfather many years before. The amount seemed meager to him, he said, but the widow told him how happy she was to have the check and also the policy, which the family had borrowed against and paid back several times. She also told him they never surrendered the policy, because his grandfather had told them is it was important to have.

That conversation changed him forever, he said. "Now, whenever I deliver a check, I remember that and I think about how fortunate we are to engage in such a noble calling." He urged MDRT members to help to encourage others to engage in this noble profession, too.

September 11, 2001 transformed another speaker, David Buckwald, giving new meaning to the work he does as a life insurance professional.

On that unforgettable day, Buckwald, a Cranford, N.J.-based certified financial planner, lost 51 clients. All, he said, were employees of the investment firm Cantor Fitzgerald, who died following the terrorist attack on the North Tower of the World Trade Center, where they occupied the 104th and 105th floors.

The following day, September 12, Buckwald was scheduled to meet with 6 of the victims; the trauma of the event taxed his ability to cope. And it led to a one-on-one meeting with his supervisor, who reiterated that delivering death benefit checks to the survivors of such tragedies is a critical function of the life insurance professional.

"My manager said, 'David, This is what we do. We're the ones who walk in with the check. This is a time to care for the families."

"On September 12," he added, "I was faced with 30 [life insurance policy] claims. I began to understand that day more than I ever wanted to know about my profession. In the last months of 2001, I handed out $30 million in life insurance benefits to surviving spouses."

The searing experience of September 11 also drove home for Buckwald just how important life insurance is. A financial plan without life insurance at its core, he said, is only a plan—and a hope.

Since 2001, Buckwald said, he has sold more life insurance than he did before that year's tragic events. The knowledge that his work made a tremendous impact financially on the lives of widows and children who had to carry on, he added, has been a great source of pride.

"What we do makes a difference," said Buckwald. "People buy life insurance not because they might die, but so that others may live. We have a tremendous opportunity to help our clients.

Day 2, continued on page 4

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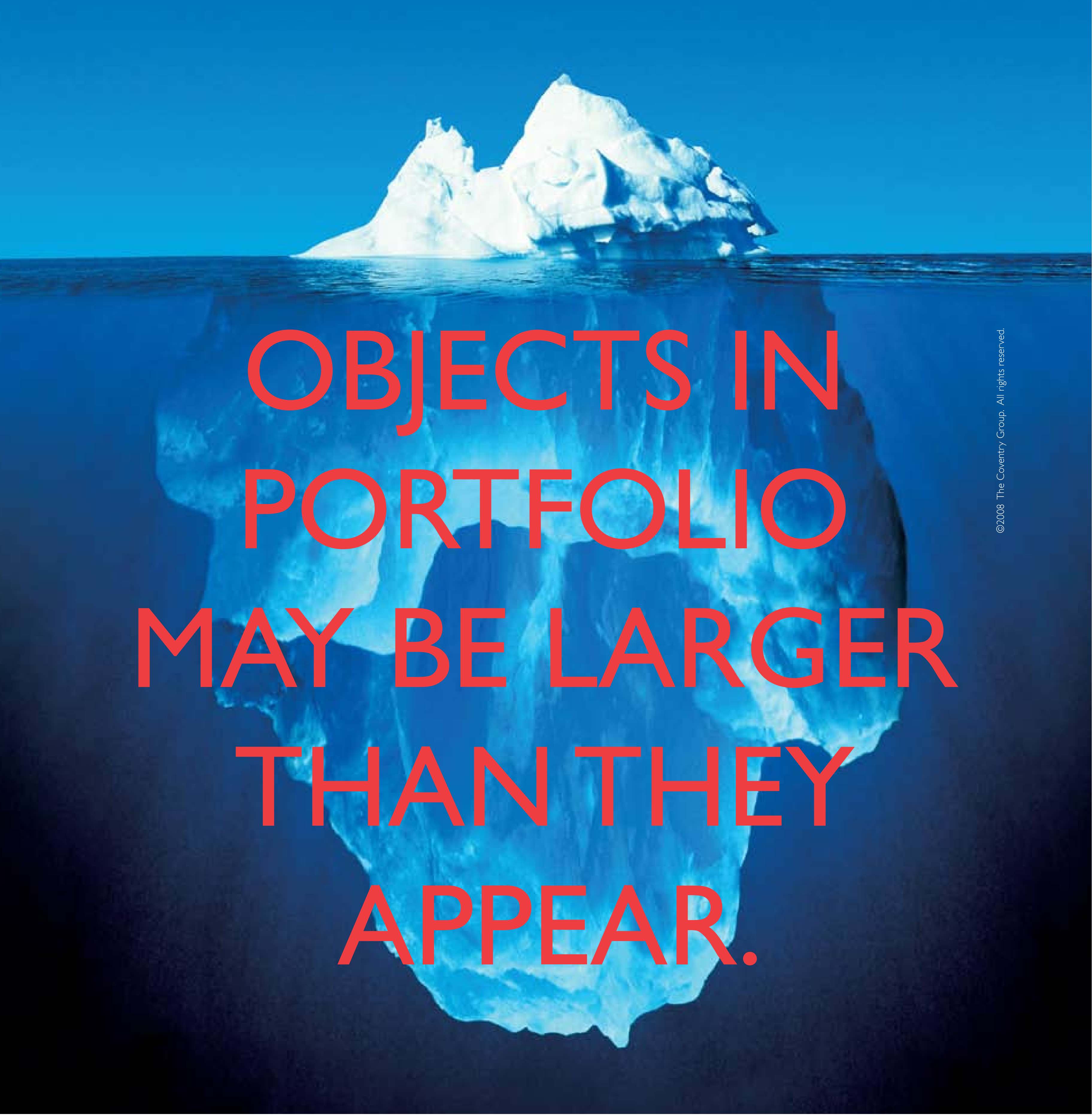

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Sell DI Insurance With Conviction

By Linda Koco

No one is immune from disability, and yet too many people subconsciously think "It's not going to happen to me!" said Rosemarie Rossetti, Ph.D., in a focus session here at the annual meeting of the Million Dollar Round Table.

▲ Rosemarie Rossetti

But disability does happen. Rossetti knows. It happened to her.

Now a motivational speaker and the president of Rossetti Enterprises Inc., Columbus, Ohio, she showed photos of herself before her own disability, which occurred 10 years ago while she was taking a bicycle ride with her husband.

She also showed photos of her after—in the hospital, in rehab, in wheelchair, and in her new life.

What happened to cause such a devastating reversal? A three-and-a-half ton tree fell on her during the ride, she said.

She went unconscious, only to awaken in "excruciating pain, not able to move a muscle from the waist down." At the hospital, she learned that her back and neck were broken, that a hip bone had been grafted to her spine, that she had a spinal cord injury—and that there was no cure. After 5 weeks of therapy, she returned home to resume life in a 2-story house.

"Did I ever think it would happen to me? No."

So, too, with clients, she said. They think it won't happen to them. But it can happen to anyone. "No one is immune."

She said her purpose in speaking to the MDRT is to advocate about this for consumers, so they learn the "critical importance of disability income insurance" based on her first-hand experience. She said she also wants to let people know how disability changed her life and how receiving her DI check every month made all the difference.

"My life has been buoyed by disability insurance," Rossetti said. "I would not be as successful as I am today had I not had my income protected."

In speeches, she points out that there are "somewhere around 53 million people in this country" who are disabled. Many people in her audiences tell her they don't have disability insurance but they now wish they did, she said, noting it is now too late for them.

Rossetti said that, at the time of her accident, she owned two businesses—a speaking, training, and consulting company, and a publishing company. She had operated both out of her home.

But her life had changed in an instant, she said. That two-story home now presented inaccessibility problems. She said she couldn't get to the door due to steps on the porch. She couldn't move all through the house due to steps to the second floor and basement. She couldn't get into the house nor go through certain doorways in her wheelchair.

The kitchen sink was too high to reach from the wheelchair, and it had no knee space under it. The oven door got in her way when trying to move food in or out. The microwave, located over the stovetop, was out of reach.

She stopped all business, reducing the two-income family to one income. Her husband was in sales, but she said his sales "plummeted," since he was now spending much of his time caring for her. They hired a personal care attendant, paid for out of the check book, got therapy, and made many other changes.

DI Insurance, continued on page 10 ▶

Incentive Trusts For The 21st Century

By Warren S. Hersch

Today, many of the most sophisticated and focused estate planning clients are concerned not only with transmitting their estates in a tax-efficient manner but also with structuring their estate plans so that the lives of their children and grandchildren are enhanced when they become beneficiaries.

How to facilitate these long-term legacy planning objectives was the focus of a session held Tuesday at the MDRT annual meeting. Titled, "Incentive Trusts and Special Needs Planning for the 21st Century, the presentation was given by Charles Redd, an attorney who directs Sonnenschein Nath & Rosenthal LLP's trusts and estates practice in St. Louis, Mo.; and by Mary Anne Ehlert, a certified financial planner and president and founder of Protected Tomorrows, Lincolnshire, Ill.

"With increasing frequency, estate planning clients express the fear that if their children receive large sums of money or assets having substantial value, they will be deprived of the motivation to be productive and responsible citizens," said Redd. "Worse still, some estate planning clients fear their children may view a large inheritance or the prospect of receiving large trust distributions as an opportunity to engage in negative tendencies and behaviors."

Enter the incentive trust. Functioning as a sort conditional inheritance, the vehicle affords grantors the opportunity to establish requirements that trust beneficiaries must satisfied before they're entitled to receive distributions.

Defining the trust

An incentive trust, said Ehlert, is set up as an inter vivos trust instrument or a will and is unlimited in scope. The vehicle aims address to apprehensions on the part of parents that large inheritances and trust distributions could harm, if not ruin, their children's lives. The trust may be used to achieve investment management, funds distribution, and, tax savings objectives. And, said Redd, the vehicle functions as a motivational tool, one that promotes and encourages "good" behaviors and tendencies and discourages or punishes "bad" behaviors and tendencies.

$$ Motivational Provisions $$

Incentive trust provisions may be structured to provide financial motivation to the beneficiary:

1. To get married.
2. To get married but not before reaching a designated age.
3. To marry a person who adheres to a particular religion.
4. To have children.
5. To stay married to and continue living with the other parent of his or her children.
6. To be a stay-at-home parent.

The governing instrument of an incentive trust should contain both a general statement of purpose and distribution guidelines. The statement is composed of nonlegalistic language that, notes Ehlert, should focus in a

▲ Mary Anne Ehlert

▲ Charles Redd

"humanistic" (rather than a technical) way, on family values, hopes, and expectations. Such a statement could, for example, express the desires of parents of trust beneficiaries that (absent unusual or unforeseen circumstances) their children will be well-educated, industrious, and philanthropic.

"A statement of purpose could make clear that occupational success may be evaluated with reference to one's dedication to a career that, while not financially remunerative, contributes in a meaningful and material way to the benefit of society," said Redd. "The statement could also indicate a parent's approval of saving and investing and disapproval of excessive and wasteful consumption and spending."

Incentive Trusts, continued on page 10 ▶

Day 2, continued from page 1

And all it takes is 24 hours."

Consuelo Castillo-Kickbusch, a motivational speaker, also urged MDRT members to be tutors and mentors to those coming up in the profession. Her late father, a laborer in Texas, could have benefited from having a tutor and mentor, she noted, but he never had that.

Formerly the highest-ranking Hispanic woman in the Combat Support Field in the U.S. Army, Castillo-Kickbusch is founder of Educational Achievement Services, Inc. in Nevada and its Family Leadership Institute. Much of her talk focused on how her father and mother have been sources of inspiration and guidance throughout her life, teaching her leadership by example.

The couple had raised the family in a barrio called Devil's Den, she recalled. "Some would call it a wooden shack, but I call it a home. It takes people to make a home, and I come from good people."

She did not always see it that way, however. She told of how she had learned that others believed the family to be poor. But she said her father quickly responded with words that gave her a profound sense of personhood. "You are not poor, you are rich—in tradition, and values and culture," she said he had told her. "And you have no license to think, act or behave poorly. You are rich." She also told of how her mother pulled her back from a period of being in love with success, reminding her that "you can never run away from yourself."

Castillo-Kickbusch said her father had died without any life insurance.

"Don't make that mistake," she said. "Help us to provide for our families. Trust us, we won't hurt you."

John W. McTigue, CLU, the managing partner of McTigue Financial Group, Chicago, and member of Northwestern Mutual Financial Network, underscored that message when he asked, "if not you, then who?"

McTigue recounted how several intense personal experiences had brought him four-square into embracing the importance of life insurance. Then, he turned the spotlight on agencies where there is little interest in talking about, let alone selling, life insurance. "How did we get here, to becoming just a business?" he asked.

His answer is that life insurance is a "darn hard" business, one where people won't return phone calls. In response, some advisors build up calluses, McTigue continued. "You do need some calluses to do this business," he allowed. "But if you have too many, you lose the passion, how to make a difference, our missionary zeal."

Remember, he implored the audience, people will follow people with conviction and compassion, because they believe. "You bring the urgency, not them." The advisor needs to say to the client, "you need to do this, and to do it today," he stressed.

"If not you, who is going to protect your neighbors, and make sure they are never poor? Who will make them have the discussion they don't want to have—and not just the education but the implementation…? Who will mitigate all the risks, not just the easy ones, and give them peace of mind?"

"In an era of competition, you have no choice but to be an innovator," said David Buchholz. "The value of what we produce in today's economy no longer comes from muscle and brawn, but from the human mind at work. It's now all about software, financial algorithms, pharmaceuticals, wireless technology and entertainment."

Buchholz, a former director of economic policy at the White House, a managing director of the $15 billion Tiger hedge fund and an award-winning economics teacher at Harvard University.

To illustrate the changing nature of the economy, Buchholz related a briefing given to the first President Bush while he was still in office. Buchholz told the former president that the DVD disk he held, which contained a not yet released version of the latest Star Wars movie could be auctioned off for "millions of dollars." The value of the disk, he said, lay not in its weight, but rather in its content and in the imagination of the film's producer, George Lucas.

Buchholz observed that many advisors err by investing in the "highest of high tech companies"–firms that invent new technology, but fail to intelligently adapt the technology to suit their needs.

Buchholz added that the technology revolution impacting all sectors of the economy will only intensify in the years ahead.

The father-son duo, Patrick John Hughes and Patrick Henry Hughes, of Louisville Hughes Inc., Louisville, Ky., reminded the audience that overcoming obstacles is a big part of life's challenge, and its opportunity.

Son Patrick Henry was born blind and crippled, said the father Patrick John. But the son was also blessed with musical talent right from the start. By 9 months, the boy was able to play back notes on the piano in the order shown to him, and by age 4, he was playing simple tunes. He later played trumpet in a marching band and also took up singing. Now, while earning A's in his college courses, he goes on tours with his father where he plays modern to classical pieces, and where the two urge audiences to hear "the music of opportunity and the sound of potential."

The father conceded that, when Patrick Henry was born, "I was full of myself, working up the corporate ladder, and believing my wife would take care of the babies" until they were old enough for sports. He said he had dreams for his boy but that he grew to learn that they weren't his dreams. "My life became easier when I learned his dreams and helped him to achieve his goals," he said.

Son Patrick Henry concluded by pointing out that he has used 2 acronyms to help him along the way: the Four Fs (faith, family, friends, and freedom) and PAT (passion, ability and trust).

"You have to have patience and perseverance," the son continued. You need to use the abilities that you've got and maintain a positive attitude. And you need to have trust in yourself, that you will achieve your goal eventually." To underscore the message, he closed his message by playing and singing *Believe*, a song by American country duo, Brooks & Dunn, a rendition for which he received thunderous applause.

For Patricia Krarup, the gift of giving one's time became up-close and personal in spring of 1994. In that year, she and 42 other life insurance professionals donated their time and money to travel to Dallas, Texas, to help rebuild homes as part of a service project sponsored by Habitat for Humanity. She came away from the project with a newfound appreciation for such charitable efforts.

"This experience changed my life and the lives of others," said Krarup, a chartered financial consultant with PLK Insurance and Financial Services, Janesville, Wis. "It was my moment to make a difference."

She continues to do so. Krarup, who is now president of the MDRT Foundation, urged the assembled attendees to heed the Foundation's 2008 Million Dollar Promise Appeal, which was established to achieve an annual goal of granting more than $1 million to charities worldwide. This year, the MDRT Foundation is partnering with the Stephen Lewis Foundation, an organization that provides financial assistance, comfort and hope to people affected by HIV/AIDS in Africa.

In the last year, she added, the Foundation has given out grants exceeding $2.8 million, up from about $400,000 grants 10 years ago.

Check Out These Special Sessions…

Two special sessions start at 3 p.m. at Sheraton Center

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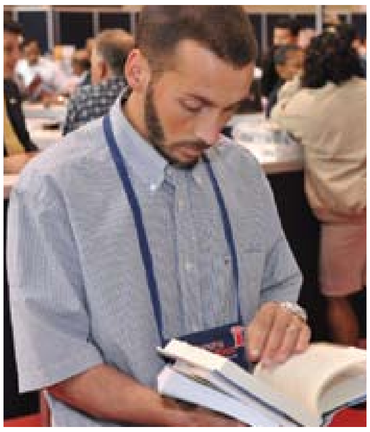


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Prepare Clients For LTC From The Very Start

By Linda Koco

Not every client will want, need, or be able to afford long term care insurance, said Karen Henderson, EPC, here at a focus session Monday at the MDRT annual meeting.

But every client "needs to have the care planning conversation—with their advisor and with their family," said the founder of Toronto-based Caregiver Network/How to Care. Advisors who understand and facilitate these care conversations from the start will give clients peace of mind, and they will also prosper, Henderson said.

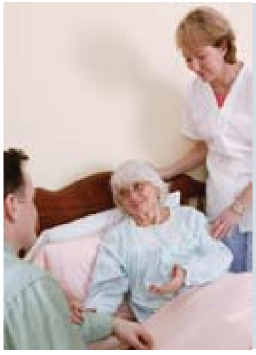
She recounted the many challenges facing advisors and aging boomer clients in today's market, related to aging, and then laid out many solutions to consider using.

For instance, "buy the products you plan to sell," Henderson suggested, explaining that "before you can walk in your clients' shoes, you need to put them on." This will help advisors learn how to complete the application fully and correctly, experience the underwriting process, and create an insurance policy the advisor can then show to client, demonstrating the advisor's belief in the product.

"Be ready and able to explain to clients how your insurance fits into your LTC plan and how this care plan then fits into your own retirement plan," she added.

Another strategy: lead by example. If an advisor has aging parents or relatives, talk to them about their situation, she suggested. "Ask them questions you will be asking clients, so you become comfortable with the process and see how this interaction can become the foundation of a care plan."

Also "research the health care system where you live," she said, noting that too many people wait until a crisis before learning how the system works. "Then it can be too late." Find out now what is and is not covered by the public system, the difference between acute and long-term care, and what seniors face as they age and move into the continuum of care, she suggested.



Did You Know?

24/7 home care can cost $5,000 or more a month in North America.

Research care cost too. Point out that 24/7 home care can cost $5,000 or more a month in North America, she added.

A basic knowledge of care terms and definitions--including respite care, adult day care, hospice care—is also essential, according to Henderson.

She urged advisors to also build up their awareness of the chronic conditions of aging including Alzheimer's disease. Any form of dementia "can destroy a family, its unity, and its finances," said Henderson, adding that she knows first-hand. "I lived the experience of caring for a father with mixed dementia for 14 years, and I suffered from a lack of awareness, knowledge and support."

The more advisors know about dementia, the better able they will be to ensure appropriate financial decisions, she continued. They will also be better able to protect against "litigation from an angry family who may claim that their parent's financial advisor had no right to follow the instructions of an impaired client."

Other solutions she mentioned include:

Know your target prospects for LTC insurance. For example, women actively caring for parents or a 50-to-65 year old man with a parent in a nursing home.

Know your clients. Boomers are born optimists who do not respond to scare tactics or statistics, observed Henderson. So advisors need to work to really get to know them as individuals, to learn their hot buttons, fears, etc. "Do not be afraid to ask you clients lots of questions," she said.

Don't delay the discussion. Set the stage the minute the advisor secures new client, she said. "Then when the time comes to approach the subject, your client will be expecting it."

▲ Karen Henderson

Understand the special risks that women face. Women on average live 7 years longer than their husbands, cautioned Henderson. But along with experiencing financial insecurity, many also have "a tremendous fear of becoming a bag lady," she said, citing a 2006 Allianz study that found this fear even among women with incomes of $100,000 or more. Furthermore, many women end up experiencing not only when caring for a loved one but also later when they themselves need care, and many see income decline when the husband dies. Her view is LTC planning "should be part of the financial planning discussion advisors have with their female clients."

Empower clients. For instance, encourage them to have a family meeting, where care conversation takes place. "Help them understand the value of such a meeting—before a crisis occurs," she stressed, noting that such a meeting can enable enables parents and adult children to share vital information about health issues, care wishes, financial means, etc.

Go the extra mile. In addition to personally delivering a purchased policy, make sure the client knows how to use it, she suggested. "Ensure a single client, for example, knows she can and should designate a person to notify if something should happen and the premium is not paid. Suggest she give you contact information to her power of attorney (POA) for personal care, so if she were to become incapacitated and needed benefits started, her POA could contact you. If the client has adult children, suggest they get copies of everything. Highlight the directions for making a claim, and write out the steps they should take."

Create vour own LTC planning team. This may include experts in financial, insurance, legal, accounting, and care management, she said. For example, if a long-standing client wants advice about finding assistance for his widowed father, the advisor can research associations, check out the yellow pages, and rely on network contacts to find geriatric care experts. Advisors who develop alliances with other professionals "will stand out among her peers and be able to add tremendous value to her client offerings," Henderson said.

Position LTC planning and understand risk versus consequences. "More of us will live into our 90s and 100s," she noted, "but with increased years comes increased risk of chronic illness. But if that risk does not motivate interest in LTC planning, consequences will, she continued. Her idea is to help the client see the impact of the client's illness on loved ones. That sells LTC insurance, she said, noting the "vast majority" of product sales come from people who have had a prior care experience.

Education, education, education. In short, the advisor needs an education, Henderson said. "You will not sell a service what you do not understand." But clients also need an education, whether by seminars, client appreciation events, articles, individual consultations, or a combination. Public education is important too, she added, and it "must become a priority of both governments and insurance companies." The lack of government and insurer involvement reinforces the denial that many consumers have about LTC, she warned.

Understand the role of assistive devices. "Spend a few hours touring the aisles of a home health store in order to develop a more complete understanding of what specialty home care products or assistive devices are available to enable clients to remain safely and independently at home," Henderson recommended.

In closing, she presented some ideas on how to begin an effective LTC planning conversation with clients. "One possibility is to ask the following 4 questions," she said: Do you know someone who has suffered a serious/chronic illness? Did they plan on it? Was there any unexpected emotional and/or financial strain on the household or business? Would cash have helped?

"Since the answers are certainly 'yes' except for question 2, it is easy for the client to put himself in this position and see the unfortunate consequences of not planning," she said.

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DI Insurance, continued from page 3

That's the reality of having a disability, Rossetti summed up. "Your life changes, your spouse's life changes, and everyone around you is affected by your disability. The income stops, and one person's disability affects the income of other people around you who are there to help you. The expenses keep coming, however. Expenses like the mortgage and car payments, groceries, gasoline, taxes, medical bills, prescriptions, and utility bills."

The reality of having a disability, says Rossetti, is that "your life changes, your spouse's life changes, and everyone around you is affected by your disability."

Now think about the "potential power" of the DI product, she continued. And "realize the disservice you might be doing now by not selling more policies." DI is a product that helps people limit risks, she stressed.

To help professionals sell more DI, she offered an analogy to needing to get a tetanus shot every 10 years.

"I don't like shots. I'm sure not many of you like them either. But once every 10 years are you willing to go to the doctor and get your shot?...I'd be willing to get a shot so I didn't have painful spasms and the inability to swallow, wouldn't you?...

"Well, maybe this is an analogy you can just kind of tuck away some time when you're with a potential DI client; ask them if they got their tetanus shot recently, and why they feel this shot is needed. This will help them recognize that it is possible that they could have an accident some day and get tetanus, so they go to their doctor for insurance."

People do many things to limit risks, she noted, citing wearing seatbelts, bike helmets and motorcycle helmets. "Isn't it a fact that (these things) do prevent injury or death after an accident?"

So, she continued, why not ask clients: "Is it possible that an accident can happen in your life?" "What else in your life are you doing to ensure that you can recover after an accident?"

DI is, in her view, "the most undersold product in the entire insurance industry." Why is that? she asked.

One reason she suggested is that advisors are not trained, when they enter the insurance industry, to sell DI first. "I heard that less than 1% of insurance companies actually train new agents to sell DI before life insurance," she said.

Why sell DI first before life insurance? The statistics show that, in any given year, people are more likely to have a disability and live than to have an injury or disease and die, she answered.

"So, if you're a betting person, play the odds….A DI policy is worth more to an individual who lives after a disability than the life insurance."

DI is undersold in the industry, she reiterated. It's up to insurance professionals to "look at the priorities and make a call to clients to talk about DI first, rather than life insurance."

DI policies are more complicated than other insurance products, she allowed. The result is that DI products are "awfully difficult" for lay people to understand.

"Can't you simplify the policies?" She asked. "Can't you bundle and package features and introduce a policy in real non-insurance jargon so a business owner will understand it?"

Another suggestion: "get your message out there in the mass market," said Rossetti, explaining that "the public does not see many ads for DI."

Still another suggestion: "the insurance companies need to do more DI sales training," she said.

Rossetti reviewed the kinds of expenses she incurred due to her accident. These included hospital bills, the personal care attendant, the $10,000 electric lift, the raised toilet seat, the shower bench, the $2,500 wheelchair, the home modifications, and a van with modifications so that she can drive with hand controls.

"These are staggering costs!" she declared. "Where's that money going to come from? Who's going to pay for all of these expenses?"

Health insurance does cover many hospital and care-related expenses, she allowed, and Social Security Disability Income will pay for some very severe disability cases. But even if SSDI does pay, she said, "the average monthly benefit currently is $938. The maximum for an individual is $623. I don't know about you, but could you live on that a month?"

If, after learning about disability and DI insurance, potential clients still refuse to buy a DI policy, said Rossetti, "slide a waiver over to them and say, 'All right, I gave you the facts, and contrary to my best judgment, you're still not going to buy DI, so I need you to sign this today so that if something every happened to you, you're not going to come after me in court.'"

Then, she said, "try to close the sale again."

Incentive Trusts, continued from page 3

Distribution guidelines

The legal directions given to the trustee in an incentive trust's governing instrument with regard to the making or withholding of distributions should be drafted using legally and technically sound language, said Ehlert. The distribution guidelines (or "performance standards") should specify behaviors, activities, accomplishments and failures that will result in trust distributions being made to or for (or withheld from) the beneficiary.

To encourage a child's academic success, said Redd, a parent might include in the trust's governing instrument a provision authorizing distributions for the child's tuition, room and board, books and fees. The provision could take effect upon the child's enrollment in an accredited college or university leading to a diploma or degree. The provision might additionally mandate, as a condition to receiving distributions, that the child maintain or graduate with a particular grade point average.

If a parent wishes to stimulate and reward productivity, Redd added, an incentive trust provision could allow or direct the trustee to make certain payments or distributions to or for the benefit of a child who is employed in an occupation on a full-time basis.

"If the parent wants to instill a high standard of work-related financial productivity, an incentive trust's dispositive provisions could be structured to direct the trustee to make payments or distributions to or for the child that match, on a dollar-for-dollar basis, the earnings the child receives from employment," Redd said. "Alternatively, a parent might prefer an incentive trust provision that requires the trustee to make distributions to the child to match the child's annual savings."

Incentive trusts, if thoughtfully conceived and carefully implemented, can effectively and meaningfully motivate trust beneficiaries in positive directions"

Some parents, he added, may wish to be specific in encouraging their children's occupational choices. For example, a parent might include in incentive trust provisions a direction to the trustee to make payments to a child who joins the family business, works the family farm, or starts his or her own business. The incentive trust could also financially reward the child for entering the same business or profession as did the parent; or for undertaking what the parent considers a socially redeeming occupation or profession.

Redd observed that a parent may also desire to influence a child to make certain "lifestyle" choices and can design the estate plan accordingly. (See chart on page 3.)

Mechanical details

In structuring the incentive trusts dispositive provisions, the client and the estate planner will need to make certain decisions concerning how the trust is to operate, said Ehlert. For instance, a decision must be made regarding whether distributions will include (1) trust accounting income only (dividends, interest, rents, royalties, etc.); (2) a unitrust amount (a percentage of the fair market value of the trust assets, re-determined annually), or (3) both income and principal.

"The greatest flexibility and potential for the trust to influence beneficiary behavior is achieved where the trustee has distributional discretion over both income and principal," said Redd. "But, of course, that approach may be inconsistent with the client's desires."

For an incentive trust to operate to its potential, it will ordinarily be important to authorize the trustee to make payments or distributions to the beneficiary or directly to the providers of goods and services to the beneficiary, said Ehlert.

Redd said incentive trusts are growing in importance in the estate planning arena in large measure because clients are increasingly sensitive to distractions that can derail people from having happy and fulfilled lives. "To the extent possible, many clients want to protect their loved ones from the influence of these distractions. Incentive trusts, if thoughtfully conceived and carefully implemented, can effectively and meaningfully motivate trust beneficiaries in positive directions," he said.

Opening Up The Critical Illness Discussion

By Linda Koco

"Are you bulletproof? If not, fill out an application on yourself and your family members as soon as you get home!"

That was some advice delivered by Alphonso B. Franco, RHU, RFC, here during a focus session Tuesday at the MDRT annual meeting.

The president of Trenton Financial, Victoria, BC and founder of the World Critical Illness Insurance Conference, Franco urged advisors not just to sell insurance but also to purchase it for themselves.

One of his clients, a young man with a family, did listen to that message and did buy CI coverage, he said. In recounting details of the story, Franco pointed out that the man purchased the coverage when Franco made him realize he wasn't bulletproof.

He devoted the remainder of his speech to outlining strategies that advisors can use with their own clients, to accomplish the same goal. Some of these strategies follow.

"Information, reason, and logic are important, but passion is the key to this product's success," said Alphonso Franco. "No passion, no sale."

An opening technique he said he uses regularly with families is to present a sheet of paper and ask the clients to write down answers to 3 questions:

1. If you had had a heart attack last night, what are the 3 most important things that you would want to take care of today? (Generally, clients choose health, family, and job/finances.)

2. If you had been diagnosed with a life-threatening cancer last night, what are the 3 most important things you would be worried about today?

3. If you had had a stroke last night, what are the 3 most important things in your life that you would want taken care of today?"

Then, he said, he reminds clients that, "if you had a stroke last night, in reality, today you might not be able to talk or write down the 3 most important things you would want taken care of today…

"Do you insure your car before or after a car accident? Do you insure your home before or after a house fire? When you are a victim and a survivor of one of these illnesses, do you need extra worries added to the burden when you are already dealing with questions of life, death, and survival?"

That's when he shows how the family can be "financially assured" in event of a critical illness, and "for just dollars a day."

For personal needs analysis, he said he also asks questions. Examples include:

1. If you suffered from a heart attack, stroke, or cancer today, would you want your mortgage balance to be fully paid off? If yes, what is your mortgage balance? ($225,000)

2. In the event of a critical illness, would you want your credit card debt and your line of credit paid in full? If yes, what is the amount that would suffice? ($10,000)

3. In the event of a CI, would you want to make sure that all your other financial obligations were met? If yes, what is the amount that would meet your need? Medical expenses not covered by private or public health care? ($80,000)"

Using the numbers he suggested in parenthesis, he said the total need would be $315,000. Then he builds from there.

For corporate needs analysis, he follows a similar tack:

1. In the event of a heart attack, stroke, or cancer, would you want your business loans paid off in full? If yes, what would be your loan balance? ($200,000)

2. In the event of a heart attack, stroke, or cancer, would you want your lines of credit to be fully paid off? If yes, what would be the amount required? ($100,000)

3. In the event of a critical illness, what would be your obligation toward your building lease/mortgage payments? ($180,000)

4. In the event of a CI, what would be your obligation toward your leased equipment payments? If yes, what would be the amount required? ($23,000)

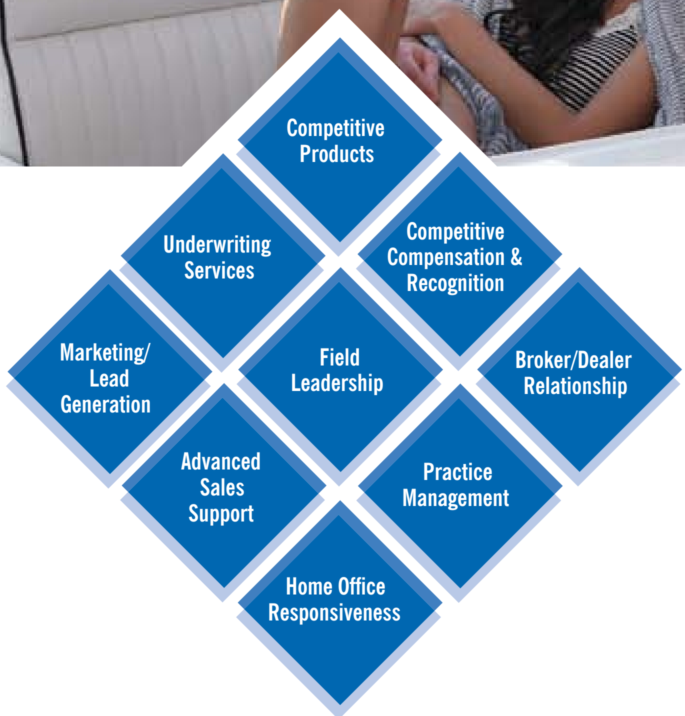
5. In the event of a CI, who would be responsible for running your business? Who would pay their wages? What would be the amount needed to meet your obligations? ($120,000)

6. In the event of a CI, what would be the fixed expenses for your business? Would you like this amount to be covered? ($60,000)

7. In the event of a CI, would you want any thing else covered? ($40,000)"

In this case, he said, the total need would be $723,000. Again, he builds from that point.

While you're providing support for your clients, who's supporting your business succession planning?



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