Smart Tools For Creating Financial Blueprints

How to Create a Blueprint:
A Producer's Guide to ING's Wealth Transfer Wizard

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A Producer's Guide to
ING's Wealth Transfer Wizard

Are you faced with the dilemma of helping your clients select the appropriate concept that may help them meet their financial goals? If so, you aren't alone. With so many different strategies available, agents are looking for a blueprint to help them know how to gather important client information, introduce the wealth transfer discussion, and select the one or two strategies that will fit them best. We can show you some ways to do just that.

Opening the Discussion

Let's begin with overall strategy. In general, a client's most important concern relates to his/her own financial security. As a result, the first sales alternative to be explored should be life insurance as a tool for building retirement wealth through policy cash values. If the client isn't a multi-millionaire, an appropriate sale may be Retirement Extra using life insurance. That's because it doesn't make sense to talk about wealth transfer until your client feels comfortable that his/her retirement income needs have been met.

If the client already has enough money and/or assets for retirement, the focus can then move to the amount of retirement assets that probably won't be spent during retirement. This sum is the amount that will be passed on to family members by inheritance. If your client agrees that a significant amount of the money he/she has accumulated will not be used during retirement, then the next question is how to leverage that money into funds for children and grandchildren that are income, estate and gift tax free.

Collecting Information

Not surprisingly, information about the client is key to the sale. The necessary information can be gathered in three parts:

- Retirement Questions, page 1
- Wealth Transfer Questions, page 2
- Personal Financial Profile, page 3.

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Opening the Discussion
Retirement Questions

Strategy: Start with income. If retirement income is adequate or if estate planning issues come up, then discuss wealth transfer. Show them how some wealth transfer strategies may be more efficient than others.

Do you need additional funds for a comfortable retirement?

If your client's answer is "no," move on to Wealth Transfer Questions on page 2.
If "yes," ask these questions:

1. How much have you set aside so far? $_____

2. How have you positioned the retirement funds you've set aside so far?
   $_____Tax-qualified accounts $_____Other accounts

3. How much more would you like to accumulate? $_____

4. How much current cash flow can you afford to invest to accomplish your goal?
   $_____

5. Do you want your distributions to be income tax deferred or income tax free?
   _____

6. Is anyone else relying on you to build this retirement fund? Will anyone else's financial security be threatened if something happens to you before the funding is completed (i.e. spouse, parent, children)?
   _____

7. At your death, will there be adequate liquid funds on hand to pay your debts (including estate taxes), bequests, and settle your affairs without depleting the funds your survivors will have to live on?
   _____

8. Are you concerned about using up most of your assets during retirement and not being able to leave your children or grandchildren a reasonable inheritance?
   _____

9. Are you and/or your spouse covered under any life insurance policies? If yes, describe.
   _____

10. Are you aware of any health issues that may reduce your life expectancy?
   _____

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Opening the Discussion Continued

Wealth Transfer Questions

Do your clients have funds they don't expect to spend or use during retirement? Are there likely to be funds/assets left over for their children or grandchildren to inherit after they pass on?

1. Do you have a strategy for transferring that money on to your survivors? If so, what is it?

   _____

2. Are you and/or your spouse currently making annual gifts? If so, what kind?

   _____Annual exclusions gifts

   _____Lifetime exemption gifts

3. Have you (or your spouse) used any of your $1,000,000 lifetime gift exemptions?

   _____

4. Have you (or your spouse) established any trusts as part of your planning?

   _____

5. Are you (or your spouse) the beneficiary of any trusts set up by others?

   _____

6. What would you like your wealth transfer strategy to accomplish?

   _____

7. Do you think your current strategy does that? When was it put in place?

   _____

8. Is there anything else you would like your wealth transfer strategy to do?

   _____

9. If there were some reasonable options that could make your strategy better, would you be open to learning about them?

   _____

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Collecting Information

Personal Financial Profile

Collecting good information is key. The next questionnaire is a tool to help you understand your client's financial position and goals. That way you can help them implement a solid wealth transfer strategy.

1. Marital Status (circle one): Married Single

2. Age: _____ H _____ W

3. Estate Size:

   Married: _____$10 million + _____$4 million + _____under $4 million

   Single: _____$ 5 million + _____$2 million + _____under $2 million

4. Health:

   Husband: _____Preferred _____Standard _____Rated _____N/A

   Wife: _____Preferred _____Standard _____Rated _____N/A

5. Gifting History:

   Husband: _____Exemptions Used Up _____Annual Exclusions _____None

   Wife: _____Exemptions Used Up _____Annual Exclusions _____None

6. Nature of Assets:

   _____Very Liquid _____Semi-Liquid _____Illiquid

7. Retirement Income:

   _____Surplus _____Adequate _____Deficit

8. Size of Retirement Asset Surplus: $_____

9. Do You or Your Spouse Own a Business?

   _____No _____Yes If Yes, _____% ownership _____form of entity

   Value of business: _____

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Selecting a Strategy

Your client will be asked to choose one of three categories of wealth transfer strategies. After making the selection, the client will be asked a series of questions. You will record the answers to these questions and these answers will lead you to the life insurance based wealth transfer strategies that are most likely to meet the client's goals and objectives. You can then explain how these strategies work and show how they might be beneficial.

ING's Wealth Transfer Wizard is a tool designed to help clients who don't expect to use up all of their money during their lifetimes. They expect to have money left over to pass on to their children and/or grandchildren. The Wizard may assist in identifying life insurance-based estate planning strategies that are suited to their estate planning goals. The Wizard works in six steps:

Step One—Client Chooses One of Three General Categories

The Wizard works with eight life insurance based estate planning strategies. These strategies are divided into three general categories. The client is asked to select the general category which most closely relates to his/her wealth transfer objective:

1. Strategies That Give Them Direct Control
2. Strategies That Give Them Influence But Without Direct Control
3. Strategies That Use Outside Funding (funds from the client's business or Premium Financing from banks and commercial lenders)

Step Two—Determining Client's Level of Interest

After the client has selected one of these three general categories, it's time to identify the specific strategies in that group that best fit this client. The possible strategies fit into the general categories in the manner below. The client is presented with a series of issues related to their objectives and asked to rate his/her interest level in each issue ("1" is high interest, "2" is medium interest and "3" is low interest). The client's response is recorded by circling the appropriate number (1, 2 or 3) in the Response Grid.

Client Has Direct Control

Standby Trust
Private Financing
Private Split Dollar

Client Has Influence Without Control

Direct Gifts to Children / Grandchildren
Direct Gifts to ILIT
Credit Shelter Trust

Using Outside Funding

Premium Financing
Using Business Dollars
- Endorsement Split Dollar
- Split Dollar Loans
- Section 162 Bonus Plans
- Section 79 Plans
- Survivor Income DBO Plan

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Step Three—The Two Most Important Issues

After indicating his/her interest level for each issue, the client should also select the one issue that is most important to them. You record their selection in the Response Grid. Then you ask the client to select their second most important issue. Record this selection as well. This information is very important in deciding which strategy(ies) to ultimately recommend. The strategies you recommend should reflect these two most important issues.

Step Four—Transferring the Client's Responses to the Wealth Transfer Grid

The client's recorded responses are then transferred to the appropriate Wealth Transfer Grid. There is a separate Wealth Transfer Grid for each of the three general categories:

- Strategies That Give Them Direct Control
- Strategies Giving Influence Without Control
- Strategies That Use Outside Funding

Find the Wealth Transfer Grid for the general category the client has selected. The grids for Direct Control and Providing Influence Without Control each have one column for each potential strategy that fits in that section. These columns are already filled in with a 1, 2 or 3. These filled in numbers are the profile for that specific strategy. If the client's response for a particular issue matches a filled in number in any column, circle that number in the Wealth Transfer Grid. If the client has selected the general category Using Outside Funding, see the paragraph after step five.

Step Five—Count the Circles and Compare the Totals

After all the client's responses have been transferred from the Response Grid to the Wealth Transfer Grid and the matching numbers have been circled, add up the number of circles in each column. Then compare the total number of circles. The strategies with the greatest number of circles and the second greatest number of circles should be noted. They are the ones most likely to meet the client's stated objectives.

The client also selected one issue as the most important priority and another as the second most important. Check the two strategies with the highest number of circles to make sure this priority is reflected in the strategies to be recommended. Your strongest recommended strategy should have a match for the client's most important priority.

If Client Selects the "Outside Funding" Category

Some clients may be interested in using outside funding to accomplish their wealth transfer objectives. If your client chooses this category, explain upfront that *being able to use outside funding is not automatic. These strategies are only available to clients who can QUALIFY for them.* There are two ways clients may be able to use outside funding. First, they may be able to use dollars from their business (assuming it is a profitable business). Or, second, they may be able to borrow funds from a bank or other commercial lender (Premium Financing).

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Using Dollars From Client's Business

In order to use business dollars, the business should be profitable, and the client must usually be an owner of the business or a highly regarded key employee. If the client isn't an owner or key employee or the business isn't profitable, business dollars probably won't be available. Then, consider moving to the questions on Borrowing From Banks/Lenders (Premium Financing). If this isn't realistic, move back to the two categories of Strategies That Give Direct Control or Strategies That Give Influence But Without Direct Control.

If the client qualifies as an owner or key employee and the business is profitable, ask the six questions from the Using Business Dollars Response Grid and record the answers whether they are high, medium or low. Also determine the individual's two most important priorities. Record that information on the Wealth Transfer Grid. Then total up the number of circles for each of the five potential strategies and consider the client's two most important priorities. Recommend the strategies with the most circles as long as they are consistent with the two most important priorities.

Premium Financing–Borrowing From Banks & Commercial Lenders

To qualify to borrow funds from a bank or commercial lender, the client will have to satisfy a number of conditions. Premium Financing is usually available only to clients who have a good credit history and have a net worth of at least $5 million. In addition, they must be willing to pledge assets or otherwise personally guarantee the payment of interest and the repayment of loan principal in the event the borrower defaults. Realistically, this strategy won't be available to many people because the standards for qualification are difficult to satisfy. Ask the client the series of Premium Finance qualification questions.

Step Six—Client Isn't Able to Use Business Dollars or Qualify for Premium Financing

If the client doesn't qualify for either business dollars or Premium Financing through bank loans, consider getting the client to transition back to one of the first two categories. The client may still be able to identify a workable strategy in either the "Direct Control" or "Influence Without Direct Control" categories. After selecting one of these categories and identifying the most appropriate strategy (see steps two through five), he/she may use personal funds to implement it. In the alternative, you can refer them back to their legal and tax advisors for more specific advice.

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Strategies That Give Clients Direct Control

Many clients wish to retain direct control over the funds they commit to their family wealth transfer strategies. A number of different techniques can accomplish this objective. The five issues in the table below can help determine which planning strategy could be suited to your client. Record client's level of interest on each issue on a scale of 1-3 with "1" being high interest, "2" being medium interest, and "3" being low interest.

Issue	High	Medium	Low
A. Easy to understand	1	2	3
B. Low start-up and implementation costs	1	2	3
C. Inexpensive to administer	1	2	3
D. Recovery of some or all contributions is possible	1	2	3
E. Comfortable with spouse's participation	1	2	3

Most important issue is: _____ Second most important issue is: _____

Strategies That Give Clients Influence But Without Direct Control

Many clients wish to structure their family wealth transfer strategies so they can influence future decisions but without retaining direct control over assets transferred to fund them. Most gifting strategies don't allow continued control over funds given away. A number of sound techniques allow ongoing influence without control. Record client's level of interest on each issue on a scale of 1-3 with "1" being high interest, "2" being medium interest, and "3" being low interest.

Issue	High	Medium	Low
A. Easy to understand	1	2	3
B. Relatively low start-up and implementation costs	1	2	3
C. Simple and inexpensive to administer	1	2	3
D. Benefits may be paid to spouse	1	2	3
E. Implementation may take place after one spouse's death	1	2	3
F. Benefits may be protected from creditors for an extended period	1	2	3

Most important issue is: _____ Second most important issue is: _____

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Strategies That Use Outside Funding—
What kind of funding does the client want to use? (Select one of the two)

Dollars From Client's Business	Premium Finance—Client Borrows Funds From Banks/ Commercial Lenders

I. Using Dollars From Client's Business

A. Is client an owner or key employee of a profitable business?

Yes———Continue to B **No**———Go to Premium Finance

B. Is client a critical decision maker (key employee) in the business?

Yes———Continue to C **No**———Go to Premium Finance

C. Is the business profitable and does it have sufficient cash flow or liquid assets to pay the premiums?

Yes———Continue to D **No**———Go to Premium Finance

D. Will the business allow its extra cash flow and/or liquid assets to be used for client's benefit?

Yes———Ask the questions below **No**———Go to Premium Finance

If client's responses to questions A-D are "YES," then it may be possible to use dollars from the client's business to enhance his/her estate planning through the purchase of life insurance death benefits. To identify which business-based premium strategies could be best suited, record client's level of interest in the following issues on a scale of 1-3 with "1" being high interest, "2" being medium interest, and "3" being low interest. Then record these interests on the Wealth Transfer Grid:

	Issue	High	Medium	Low
A.	No current taxation to employee	1	2	3
B.	Income tax free death benefits	1	2	3
C.	Current deduction to employer	1	2	3
D.	Ability to offer benefit selectively	1	2	3
E.	Cost recovery for employer	1	2	3
F.	Simple administration	1	2	3

Most important issue is: _____ Second most important issue is: _____

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II. Premium Financing–Borrowing Funds From Banks/ Commercial Lenders

A. Does client's net worth exceed $5,000,000? How much is it?

Yes———Continue to B **No**———Go back to Control or Influence Strategies

B. Has client considered and is he/she comfortable with the risks of borrowing and pledging personal assets as security for repayment of the loan?

Yes———Continue to C **No**———Go back to Control or Influence Strategies

C. Does client have a good credit history?

Yes———Continue to D **No**———Go back to Control or Influence Strategies

D. Is client willing to use some of his/her funds to pay some or all of the interest costs that will result from the transaction?

Yes———Continue to E **No**———Go back to Control or Influence Strategies

E. Is client in good health?

Yes———Premium Finance may be helpful; proceed with further discussions

No———Premium Finance may not work. Consider going back to Strategies Giving Them Direct Control or Strategies Giving Them Influence Without Direct Control (using a survivorship policy) or ask their tax and legal advisors about other estate planning strategies which aren't life insurance related.

Wealth Transfer Grid

I. Strategies That Give Clients Direct Control

Issue	Priorities	Standby Trust	Private Financing with ILIT	Private Split Dollar with ILIT
A. Easy to understand	_____	1	2	3
B. Relatively low start-up/ implementation costs	_____	1	2	3
C. Simple & inexpensive to administer	_____	1	2	3
D. Contributions can be recovered if needed	_____	1	1	1
E. Comfort level with spouse's participation	_____	1	2 or 3	2 or 3
Total		_____	_____	_____

II. Strategies That Give Clients Influence But Without Direct Control

Issue	Priorities	Direct Gifts to Children	Direct Gifts to ILIT	Credit Shelter Trust
A. Easy to understand	_____	1	2 or 3	2
B. Relatively low start-up/ implementation costs	_____	1	3	2
C. Simple & inexpensive to administer	_____	1	2 or 3	2
D. Strategy should be designed so benefits may be paid to spouse	_____	3	1	1
E. Implementation may take place after one spouse's death	_____	1	1	1
F. Interest in benefits being protected from claims of creditors	_____	3	1	1
Total		_____	_____	_____

Key: "1" = High Interest; "2" = Medium Interest; "3" = Low Interest

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III. Strategies That Use Outside Funding–Using Business Dollars

Issue	Priorities	Survivor Income DBO Plan	Endorsement Split Dollar	Split Dollar Loan Plan	Section 162 Bonus Plan	Section 79 Plan
A. No current taxation to employee	_____	1	2 or 3	2 or 3	3	2 or 3
B. Income tax free death benefits	_____	3	1	1	1	1
C. Current deduction to employer	_____	3	3	3	1	1
D. Ability to offer benefit selectively	_____	1	1	1	1	3
E. Cost recovery for employer	_____	1	1	1	3	3
F. Simple administration	_____	1	2 or 3	2 or 3	1	3
Total		_____	_____	_____	_____	_____

IV. Strategies That Use Outside Funding–Premium Finance–Borrowing From Banks/Commercial Lenders

A. Does client's net worth exceed $5,000,000? How much is it?

Yes———Continue to B **No**———Go back to Control or Influence Strategies

B. Most lenders have a minimum loan requirement of $200,000. Borrowing large sums of money has risks; is client comfortable pledging personal assets as security for repayment of the loan?

Yes———Continue to C **No**———Go back to Control or Influence Strategies

C. Does client have a good credit history?

Yes———Continue to D **No**———Go back to Control or Influence Strategies

D. Is client willing to use some of personal funds to pay some or all of the interest costs that will result from the transaction?

Yes———Continue to E **No**———Go back to Control or Influence Strategies

E. Is client in good health?

Yes———Premium Finance may be helpful; proceed with further discussions

No———Consider other estate planning strategies that don't use life insurance.

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ReliaStar Life Insurance Company
20 Washington Avenue South
Minneapolis, MN 55401

ReliaStar Life Insurance Company of New York
1000 Woodbury Road, Suite 208
Woodbury, NY 11797

Security Life of Denver Insurance Company
1290 Broadway
Denver, CO 80203

www.ingvfc.com

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