

Explain Life Insurance as a Sinking Fund

Marketing a private practice has a lot to do with demonstrating your expertise—your knowledge and experience. Sometimes you do this when you deliver your marketing messages in letters, bulletins, and workshops. Sometimes you have to do it tastefully in personal interviews with clients, prospects, centers and non-insurance professional advisors.

Maybe you've even been in a competitive situation. In this case, the advisor who best educates the buyer to make an informed decision will generally win. One way to do this is to use talk tools that illustrate your important points.

For example: you want to show a buyer that the proposal with the lowest premium is not necessarily the best buy or the most suitable policy in this case. The buyer is unlikely to follow a lot of technical talk, so you want to keep it simple and quite accurate. Why not demonstrate life insurance as a sinking fund and make your point? It could unfold like this...

Toby, the biggest impact on illustrated premiums is the cost of mortality—the company's estimation when you might die, all things considered. A minor improvement in mortality creates a major lowering of premiums, so if a company compounds a lowered mortality into the future, its sales illustration can show a much lower premium.

If you think of life insurance as a sinking fund, you can see this.

Pointing to your simple chart, just follow the few lines on it:

A Sinking Fund

Premiums
— plus —
Investment Earnings
— minus —
Expenses and Profit
— equals —
Face Amount At Mortality

Premiums plus investment earnings, minus expenses and profits, compounded by the number of years of the contract to mortality, equals face amount at maturity.

This way, you can easily see that this assumption of compounded mortality improvement significantly and often dramatically lowers the premium required. The sales illustration looks remarkable; sometimes too good to be true. The sales illustration with the lowest premium may not be the best choice.

By using a very simple chart to present and discuss this elementary but important topic, you can solidify in the buyer's mind that you know what you are talking about, that you can educate buyers by disclosing risks they may wish NOT to take, and that you can help them make more fully informed decisions.

There are many ways that simple graphics to support your ideas can become critical, memorable talk tools with which you better demonstrate your expertise to buyers and the non-insurance professionals who also advise them. Don't be bashful. It's easy—once you know how.

Concept brought to you by

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