

Advanced Planning Playbook

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Annuity Strategies

Annuities as a Bond Alternative

Pitch:

Many clients approaching or in retirement worry about stock market drops. Traditionally, bonds helped reduce risk in a portfolio — but in today's market, bonds may not offer enough return or protection from inflation.

Fixed indexed annuities (FIAs) can be a smart alternative. They give your client growth potential tied to market indexes (like the S&P 500) — but with no risk of losing money in a market downturn. Think of them as a "shock absorber" in a retirement plan.

Case Study:

Mary is 63 and retiring in two years. She has \$500,000 in her 401(k), mostly in bond funds. Her advisor moves \$200,000 into a fixed indexed annuity offering 10% cap growth and 0% floor (meaning she can't lose money if the market drops).

Over the next five years, she earns steady interest without market losses, helping preserve her retirement nest egg while the rest of her portfolio remains invested for growth.

✓ Annuities for Income

Pitch:

For clients who don't have a pension and worry about outliving their savings, annuities with income riders can create guaranteed monthly income — for life. It's like building your own pension.

This helps protect against longevity risk (living longer than expected) and provides peace of mind knowing at least some income will always be there.

Case Study:

Tom is 67 and just retired. He has \$600,000 saved but no pension. His advisor recommends putting \$250,000 into an income annuity that will pay \$1,200/month guaranteed starting in 5 years (age 72). This creates a steady stream of income alongside Social Security, helping Tom budget confidently for the rest of his life.

Pitch:

Sometimes, clients want to control how money is passed to heirs — especially when those heirs are young, have special needs, or are at risk of spending the inheritance too quickly.

A trust can own an annuity and set rules on how and when the money is paid out. This lets the client protect assets while still offering growth and income potential.

Case Study:

Linda, age 75, wants to leave \$300,000 to her two grandchildren but worries about how they'll use it. Her advisor sets up a trust that owns a deferred annuity. The trust specifies that the grandchildren can receive \$15,000 per year for 10 years after Linda passes — giving them time to mature financially and reducing the risk of poor decisions.

✓ Roth IRAs & Tax-Free Lifetime Income

Pitch:

Many people have traditional IRAs or 401(k)s, but those accounts are taxable when withdrawn. Converting to a Roth IRA allows future withdrawals to be completely tax-free — and combining that with an annuity means you can guarantee tax-free income for life.

This strategy works best for people who expect higher taxes later in life or want to leave a taxfree legacy.

Case Study:

Jack, 59, converts \$150,000 from his traditional IRA to a Roth IRA over two years. Then, he places the Roth funds into an annuity with an income rider. Starting at age 70, he receives \$9,000/year in guaranteed income — 100% tax-free. He no longer worries about market losses or rising tax rates in retirement.

Medicaid-Compliant Annuities

Pitch:

When a client needs long-term care and wants to qualify for Medicaid, their assets usually need to be spent down. A Medicaid-compliant annuity can convert those "countable" assets into income for a healthy spouse — helping the family keep more of their money while still qualifying for assistance.

This is a powerful elder care planning tool.

Case Study:

Bill, 80, enters a nursing home. His wife, Carol, has \$150,000 in savings — too much for Bill to qualify for Medicaid. Their advisor uses a Medicaid-compliant SPIA (single premium immediate annuity) to turn Carol's savings into monthly income. Bill now qualifies for Medicaid, and Carol keeps stable income to pay her own bills.

✓ Nongualified Stretch Annuities

Pitch:

After the SECURE Act, inherited IRAs must usually be emptied within 10 years. But with nonqualified annuities (funded with after-tax dollars), beneficiaries can still stretch income over their lifetime — delaying taxes and giving the money time to grow.

This makes annuities one of the last remaining tools for income tax deferral across generations.

Case Study:

Karen leaves her son, Jason, a \$200,000 nonqualified annuity. Jason doesn't need the money right away. Instead of taking it all at once and paying a big tax bill, the advisor structures a payout over 20 years. Jason receives \$12,000/year, with a portion taxable, and the rest growing in the meantime — helping him manage income taxes efficiently.

Life Insurance Strategies

✓ Asset Location (Life as a Retirement Tool)

Pitch: Life insurance isn't just for the death benefit. Permanent policies like Indexed Universal Life (IUL) can be used as a **tax-advantaged retirement account.** Money grows tax-deferred, and policy loans can be taken **tax-free** in retirement for supplemental income.

Case Study: Sarah, 42, is maxing out her 401(k) but wants more tax-free income options. Her advisor recommends \$10,000/year into an IUL policy. By age 65, her cash value has grown enough to take \$30,000/year in tax-free loans, supplementing Social Security without triggering tax issues or Medicare surcharges.

✓ ILIT (Irrevocable Life Insurance Trust)

Pitch: An ILIT helps clients **remove life insurance from their taxable estate** while keeping control over who gets what, when. It protects large death benefits from estate taxes and gives control over timing of distributions to heirs.

Case Study: Robert has a \$7M estate and a \$2M life insurance policy. His advisor helps him transfer the policy into an ILIT. When Robert dies, the \$2M stays **out of his estate**, saving nearly \$800,000 in estate taxes. The ILIT also distributes money to his three kids over 10 years, rather than all at once.

✓ PPLI (Private Placement Life Insurance)

Pitch: For high-net-worth individuals, PPLI offers a tax shelter for alternative investments like hedge funds and private equity. It's a way to grow money tax-deferred while getting a death benefit as a bonus.

Case Study: A client with \$10M in net worth wants to invest \$2M into private debt strategies. By using PPLI, the investments grow **tax-deferred**, and the policy passes a \$3.5M death benefit to heirs **tax-free**. It's a dual benefit strategy.

Buy-Sell Agreements

Pitch: For business owners, a buy-sell agreement funded with life insurance ensures surviving partners can **buy out** a deceased partner's shares. This protects both the business and the family.

Case Study: Three owners of a CPA firm each own 33%. They each buy \$1M life insurance policies on one another, owned by the company. If one dies, the other two use the death benefit to buy out the deceased partner's shares, keeping control and ensuring fair value to the family.

Pitch: Life insurance can help businesses create **tax-deferred executive bonus plans** or retirement income for key employees. These plans are flexible, employer-funded, and often include a death benefit.

Case Study: A company wants to retain its CFO. It sets up a SERP using a permanent life insurance policy. The company pays \$25,000/year in premiums. At retirement, the CFO gets \$50,000/year tax-favored income for 20 years, and the policy still leaves a death benefit to heirs.

Long-Term Care (LTC) Planning

✓ Understanding the Cost of Care

Pitch: Long-term care is expensive. Nursing home stays can exceed \$100,000/year. Without a plan, costs can drain savings quickly. Educating clients on realistic LTC costs helps them understand the need to plan.

Case Study: Janet, 70, is healthy but concerned about future care. Her advisor shows her Genworth's cost map: average care in her area is \$8,500/month. She realizes her \$400,000 IRA would last less than 4 years if care is needed.

✓ Life/LTC Hybrid Policies

Pitch: Hybrid policies offer both life insurance and long-term care protection. If LTC is needed, the policy pays out. If not, the death benefit goes to heirs. Clients like it because the money is never "wasted."

Case Study: David, 62, buys a \$100,000 single-premium hybrid policy. It gives him up to \$350,000 in LTC benefits or a \$150,000 death benefit if unused. Either way, his money benefits someone.

Reverse Dollar Cost Averaging

Pitch: In retirement, clients can sell investment gains during "up" years to fund LTC premiums. This preserves principal and keeps coverage in place.

Case Study: Diane, 67, has \$600,000 in a balanced portfolio. In a year with 12% growth, she withdraws 3% of gains to pay her hybrid LTC premium. This avoids digging into principal and locks in another year of coverage.

✓ Qualified Dollars for LTC

Pitch: IRAs and inherited accounts can be used to fund LTC using tools like 1035 exchanges or QLACs (Qualified Longevity Annuity Contracts). This makes use of pre-tax dollars that might otherwise sit idle.

Case Study: Mike inherits a \$150,000 IRA from his mom. Instead of taking it as income and paying taxes, he 1035 exchanges it into a hybrid LTC annuity. Now he has \$300,000 in LTC coverage, funded with inherited assets.

Disability Insurance (DI)

Protecting High Earners

Pitch: For doctors, lawyers, or engineers, losing income from a disability could derail their financial future. DI protects their most valuable asset: their ability to earn.

Case Study: Matt, 34, is a surgeon earning \$400,000/year. He buys a DI policy that pays \$15,000/month if he can't perform surgery. At 40, he develops arthritis and can't operate. The policy replaces income and protects his lifestyle.

Business Owner Strategies

Pitch: DI isn't just personal income protection. It can also cover **overhead expenses** (rent, payroll) or insure a **key person** in the company.

Case Study: Julie owns a marketing agency. She buys business overhead expense DI that covers \$10,000/month. When she has a serious accident, the policy keeps her business running until she returns.

✓ Young Professionals

Pitch: Buying DI early means **lower premiums and guaranteed insurability.** Clients can lock in coverage before health changes.

Case Study: Alex, 26, is a rising CPA. His advisor locks in \$5,000/month coverage for \$30/month. Ten years later, he develops diabetes but can increase his coverage to \$10,000/month due to the guaranteed option.

General Planning Conversations

Social Security Timing

Pitch: Delaying benefits until age 70 can increase lifetime income by 30% or more. Coordination with spousal benefits makes a big impact.

Case Study: Jeff and Lisa are 62. Jeff delays to 70; Lisa claims at 62. Their advisor shows how this boosts household income by \$100,000+ over their retirement.

Medicare Planning

Pitch: IRMAA surcharges can add \$3,000+/year in Medicare premiums for high-income retirees. Income planning helps avoid surprises.

Case Study: Mark sells a rental property and spikes his AGI. His Medicare Part B/D premiums jump \$300/month the next year. With advance planning, he could have spread the sale over two years to avoid it.

Charitable Giving Strategies

Pitch: Donor-advised funds, CRTs, and gifting life insurance can help clients support causes and reduce taxes.

Case Study: Anne donates \$100k of appreciated stock to a DAF. She avoids capital gains tax, gets a full deduction, and funds future giving.

Business Exit Planning

Pitch: Advisors can help business owners create succession plans using valuations, buy/sell agreements, and insurance.

Case Study: Dan wants to retire from his HVAC business. His advisor uses a valuation tool, life + disability insurance, and a buy/sell plan with his son. Dan retires smoothly with income, and the business stays in the family.

✓ Land As Your Legacy (Nationwide's Program)

Pitch: Farmers and landowners can use this free planning service to ensure land passes efficiently to heirs.

Case Study: The Johnson family owns 500 acres. Their Nationwide advisor helps them use term insurance + trusts to divide the estate among four kids without selling the farm.

Multigenerational Planning

Pitch: Use life insurance and annuities to transfer wealth efficiently and support heirs.

Case Study: Barbara names her granddaughter beneficiary on a deferred annuity and places a \$250k life policy in an ILIT. This combo creates income for one generation and legacy for the next.