

Advanced Sales

Top 5½ Sales Ideas for 2024

Your Crump Advanced Sales team has identified five (and a half!) key sales ideas that are tailored to today's marketplace. In both their personal and business plans, your clients have concerns, needs, and aspirations. You can help them achieve their goals, and **we're here to support you along the way.** Contact your Crump sales representative for additional information and support materials related to any of these timely sales ideas.

1 Executive Bonus Plans with Asset-Based Long Term Care



Did you know that a business owner of a C corporation may qualify for a tax deduction leveraging a linked benefit product with a long term care rider?[1]

C corporations with shareholder-employees and/or key employees may be concerned about the future risks and costs associated with a long term care (LTC) event. High-net-worth clients may have the assets to "self-insure" the risk of needing LTC, but would like to use business dollars in a tax-efficient manner to protect against the risk. **Asset-based LTC solutions provide clients with a death benefit, LTC protection, and the potential for cash value growth or a return of premium should the owner of the policy ever surrender the contract.** Business owners can use corporate assets to protect themselves against the future costs of an unexpected LTC event while getting both the advantages of a life insurance policy and some of the tax advantages of standalone LTC insurance.[2] Further, unlike the use it or lose it nature of those traditional stand-alone policies, asset-based LTC insurance policies include a return of premium feature which means your clients' premium dollars are never lost. Business owners may be interested in a § 162 plan, which typically allows employers to fund a life insurance policy for highly compensated employees as a form of bonus compensation that is tax-deductible for the business.

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[1] Clients must consult their own tax advisors to determine eligibility for a tax deduction.

[2] An employer-sponsored plan that provides coverage under a qualified LTCi contract may be treated as an accident and health plan. IRC § 7702B(a)(3). In general, IRC § 106(a) and Reg. § 1.106-1 provide that gross income of an employee does not include employer provided coverage under an accident and health plan covering the employee, the employee's spouse and the employee's dependents. There is apparently no limit on the amount of this exclusion. Under IRC § 105(b), an employee may exclude amounts received through employer-provided coverage paid to reimburse expenses incurred by the employee for long term care of the employee, the employee's spouse, or the employee's dependents. Amounts excluded from gross income under IRC § 105(b) or IRC § 106(a) are also excluded from income tax withholding under IRC § 3401.

2 Endorsement Split Dollar as a Deferred Compensation Alternative



Do you have business owner clients looking to offer a meaningful benefit to select key employees to garner loyalty from top talent, while offering cost recovery if they leave the business prematurely?

To level the playing field with larger corporations, **small and mid-sized businesses need an alternative to traditional deferred compensation plans (and their expense), allowing them the opportunity to compete for and retain key personnel.** An endorsement split dollar plan using permanent life insurance can be structured so it is not considered deferred compensation under Section 409A. While employed, the employee benefits from the value of the life insurance death benefit. Upon completion of a service requirement, the employee will receive the policy utilized in the split dollar arrangement within two and half months of the end of the corporate tax year.

Permanent life insurance represents an excellent vehicle for an employer to fund a non-qualified executive benefits for three primary reasons: the cash values grow on a tax-deferred basis; they are an asset on the company balance sheet; and if the employee passes away prior to completion of the plan, the employer recoups its costs income tax free. The "Golden Rule" of business accounting is that if you can't get a tax deduction; make sure you get cost recovery. The business will receive cost recovery in the event of premature death of the employee, the contract's surrender cash value if the employee departs prematurely, and a tax deduction if the policy is distributed.

3 Strategic Estate Planning for the Unified Exemption Sunset



Do you have clients who are struggling with the decision whether to make large gifts before the unified exemption amount is scheduled to "sunset" at the end of 2025?

The unified exemption amount was doubled in 2018, but only on a temporary basis. The amount for 2024 is $13.61 million, and it will increase with inflation in 2025 before being cut in half in 2026, unless Congress changes the law before then. Because it is hard to predict whether Congress will act, clients must prepare for the possibility that their capacity to make tax-free gifts will be substantially reduced in two years.

Based on the anticipated change to the exemption amount, it seems obvious that clients should make large gifts before 2026. However, **the decision whether to make a gift, what amount it should be, and how it should be structured will vary greatly depending on each client's unique circumstances.** In addition, many clients are extremely hesitant to give up the control needed to make an irrevocable gift, even in the face of overwhelming evidence that doing so makes good economic sense.

There are many tools that can help clients navigate this decision and get comfortable with moving forward. Spousal lifetime access trusts, private loans, and flexible trust provisions are just a few ways that financial professionals can add enough flexibility to plans to make clients comfortable. Understanding how the temporary exemption works and how to maximize gifts under the current rules is also critical. Trust-owned life insurance will play a large role in planning for clients struggling with this decision, whether they choose to move forward with a substantial gift or not.

4 Legacy Planning for Family Business Owners



Do you work with business owners who want to transition their businesses to family members?

Traditionally, succession planning for business owners has focused on ensuring that they would receive the maximum value for their business upon certain triggering events such as death, disability, or sale of the business. Tools such as buy/sell agreements funded with life insurance are great ways to accomplish these goals. However, many businesses are owned by families, who may have different goals than businesses owned by non-related people. **Their goals are often to preserve the business and keep it in the family,** rather than to maximize its monetary value upon the occurrence of a triggering event such as a future sale to a third party. In these situations, an estate planning approach is often needed rather than the traditional buy/sell planning approach. For example, in a situation where a business owner intends for one descendant to receive a greater share of the business, estate planning tools can be utilized to equalize the legacy left to all of the descendants. Other solutions may be employed to efficiently transfer the business to the descendants, such as making lifetime gifts and selling shares to intentionally defective grantor trusts. Life insurance is critical to provide the cash needed at death to implement these strategies and pay any estate taxes that may be due.

5 Leveraging the Living Benefits that Life Insurance Offers



Are your clients' portfolios balanced?

Current taxation is often the focus of retirement planning by maximizing pre-tax contributions with tax-deferred accumulation. When clients take distributions from their accounts, they are often shocked by the toll taxes can take on their investment portfolios. They also worry about future tax rate increases and how that could impact their retirement income needs. Life insurance doesn't simply provide a death benefit. **Life insurance can provide tax-free access to cash value and other living benefits, which can be part of tax diversification in retirement planning.**[3] Adding a well-funded cash accumulation life insurance policy in addition to qualified plan savings can help clients develop a strategy that could provide for them and their families regardless of any tax law changes.

5 ½ Life Insurance Policy Review



Do you have clients who own life insurance policies but whose financial, business, or personal situations have changed?

Why is this half an idea? Policy review is basic, but critically important. **This simple concept never gets old and helps engage clients in the life insurance conversation year after year.** Unfortunately, most people never look at their life insurance policies after they purchase them, yet the policies could be one of the largest assets they own. Life happens and many people need to review their current life insurance policies bought when their lives and situations were different. A new generation of life insurance products continues to enter the marketplace with more robust features and benefits, along with competitive death benefit guarantee options. Ensure that your clients have the most appropriate product and solution that meets their current needs.

For further information regarding any of these ideas, please contact your Crump representative.

[3] Loans and withdrawals reduce policy cash value and death benefit, may cause the policy to lapse, and may have tax consequences. If the policy lapses or is surrendered, there may be ordinary income taxes on gains. If your policy is overfunded, it may become a Modified Endowment Contract (MEC). Policies that are structured as MECs do not have the same tax advantages as non-MECs and are not suited for this purpose.

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