

# Life Sales Training

## Facilitator's Guide – Core Curriculum



Quote the following

Now that we've discussed "how" we say things, let's look at "what" things we need to say, or cover, in order to determine a client's needs.



Activity

### Activity: Life Needs Analysis

Have each participant refer to the Life Needs Analysis worksheet. They should fill in their own numbers as you demonstrate the calculations. (The participants will practice conducting their own calculations later in the workshop.)



Refer to slide

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Discovery Overview


- Ask the customer for information that fits their unique situation
- Answers are not right or wrong
- It is important to schedule periodic reviews.

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	Quote the following
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- You will be asking the customer to provide information that fits their unique situation.
- No answers will be considered right or wrong answers during this process.

	Question(s) for discussion
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Why do you think it's important to schedule periodic life insurance reviews?

### **Possible answer may be:**

- Life insurance needs are diverse and change throughout a lifetime. It is important to schedule periodic reviews.

	Quote the following
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The Life Insurance Needs Analysis worksheet follows a four-step acronym that is easy to remember: LIFE. We will go over each step of the LIFE acronym. Let's talk about:

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### Loans, Mortgage, or Rent and Other Debt



Quote the following

Questions are the key to determining if life insurance is a need, and how much that need might be. Fortunately many team members have learned to pivot to discussing life insurance.



Question(s) for discussion

- Who has been present when a life insurance check has been issued to a beneficiary, and it is not enough to cover their needs?
- What response did you observe in the client?
- What does that feel like for you?



Quote the following

From our discussion, you can see that in some ways it is actually worse to have too little life insurance than it is to have none at all.

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Refer to slide

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Life  
Insurance  
Needs  
Analysis

1. Ask about the mortgage.
2. Ask about other debts.
3. Add these amounts.
4. Record the total



Quote the following

The right amount of coverage is as varied as customers are. Again, that is why questions are so important. As indicated on the slide, we can follow a process to discover the amount of need.

1. Ask the client, “If one or both of you die, do you wish to have money set aside to pay your mortgage loan?” If you are working with a couple, make sure you ask this question of both people.
2. Ask, “What other debts do you wish to pay off when you die?” (i.e., credit card balance, car loan, student loan, business loan).

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3. Add up these amounts and write the total on the “Loans, mortgage or rent fund and other debts” line.



### Question(s) for discussion

- Because these are pretty personal questions to ask, what might make the conversation more comfortable for the customer?



### Quote the following

Once you have reviewed a client's loans and other financial commitments, the next step is to look at:

### **Income Replacement (Optional topic if time allows)**

Income replacement addresses the amounts a surviving spouse and/or other family member might need when a loved one dies.

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Capital Retention Model	Concept:	Retain principal and spend earnings
	Example:	
	Income Replacement:	\$2,000/year (\$24,000 annually) 4% return expended on principal \$6,000.00 lump sum needed
	Formula:	Annual Need x Factor from Interest Table = Lump Sum Needed  $\$24,000 / .04 = \$600,000$



Quote the following

One way to determine income replacement is to use The Capital Retention Model. This model assumes that the beneficiary of a life insurance policy payout will retain the principal and live off of the earnings the principal's interest generates. In other words, this method assumes that only the annual earnings on a lump sum will be used to provide the desired income for the length of time desired.

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People who will respond to this model are generally concerned about emergencies and spending the principal (or lump sum payout). They will be concerned that if any of the principal is spent, the income generated thereafter may not be adequate.

This slide shows an example of the Capital Retention Model.

In this example, the client currently makes or lives on \$2,000 per month, or \$24,000 annually.

Let's assume that we can expect a 4% return on the principal generated by a lump sum payout of the life insurance policy. If the principal is expected to earn a 4% return, \$600,000 in principal is needed.

This is the formula: The annual need is divided by the assumed rate of return. \$24,000 divided by .04 (or 4%) = \$600,000.

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Write on flip chart

As you discuss the following, display the process on a flip chart.



Quote the following

Here's a simple example:

How much income would your family need, should the worst happen to you? How long would they need it for? Usually this is a question that is addressed to both husband and wife.

If you need \$30,000/year for 10 years, that's \$300,000 - I don't worry about interest or earnings on the money. The more complicated question is - that the wife normally

says, "I want to have access to the income until I die," so how do you figure out how to do the math on lifetime income?

Here's some simple back-of-the-envelope math: simply take the annual income, add a "0" and double that number (you're multiplying their annual income by 20). The reason this



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works is that over long periods of time, 5% is fairly attainable, sometimes lower, sometimes higher, but it's a figure that's very reachable. Multiplying by 20 is just a bit of reverse math: if you want \$50,000 year and you multiply it by 20, you get...? (hint \$1,000,0000). If you take that same \$1 mil and got a 5% return, that would be how much annually? (hint, the same \$50,000). That's why it works, and you can do the math in your head.



### Note to facilitator

Then, yell out a couple of numbers for them the get the hang of it - how much would you need if I wanted \$32,000/year; how much if I wanted \$75,000, etc.



### Quote the following

The second way to determine income replacement is to use:

### Capital Utilization Model (Optional)



### Refer to slide

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Capital Utilization Model	Concept:	Spend principal and earnings
	Example:	
	Income:	
	Replacement:	\$2,000/mo (\$24,000 annually) 4% return expected on principal \$6,000 lump sum needed
	Formula:	Annual Need x Factor from Interest Table = Lump Sum Needed  $\$24,000 / 0.12453 = \$202,447$



Quote the following

This model assumes that the beneficiary of a life insurance policy payout will use the lump sum to provide the desired income. The principal will deplete to zero over a chosen period of time.

This slide shows an example of the Capital Utilization Model.

As in our first example, the client currently makes or lives on \$2,000 per month, or \$24,000 annually.

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Let's assume there will be a 4% rate of return on the lump sum payout. If the client would like to replace her income for ten years at \$2,000 per month or \$24,000 annually, and assuming a 4% return, the lump sum needed is \$202,447.

This is the formula: The annual need is divided by the assumed rate of return.  $\$24,000 \div .04 \text{ (or 4\%)} = \$600,000$ .



### Note to facilitator

Encourage workshop participants to discuss both of these methods with the customer and decide which is most appropriate.

Following are possible questions to ask the client based on the client's preferences.

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Capital Retention Questions

1. If your spouse died, how much annual income would you need to replace his/her earnings?
2. What rate of return would you expect to receive on the money that generates this income?

- Based on the customer's response, calculate the amount needed and write this amount on the "Income Replacement" line.



Note to facilitator

Review and solicit possible questions to ask if the customer indicates a preference for Capital Retention.

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Capital Utilization Questions	
	1. If he died, how much annual income would you need to replace his earnings?
	2. How long would you need this income to continue?
	▪ Based on the customer's response, calculate the amount needed and write this amount on the "Income Replacement" line.



Refer to workbook

Refer to the **Myths & Realities** job aid and discuss myth #2 which corresponds to "Income Replacement".

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### Final Expenses



Quote the following

Income Replacement is an important step to cover when calculating Life Insurance coverage. However, the amount needed to cover someone's income does not take into account the final expenses when someone passes away.

The next step in the LIFE acronym for doing a Life Needs Analysis involves calculating final expenses.



Refer to slide

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Final Expenses

- Ask: Do you want to provide for final expenses (medical, funeral)?
- Inform: Share local cost of funeral expenses.
- Record: List determined amount.

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### Quote the following

These are the three key steps when calculating final expenses:

First, ask the customer: Do you want to provide money for medical expenses not covered by health insurance and funeral expenses upon the death of \_\_\_\_\_?

If the answer is “yes,” be sure to provide accurate and relevant information. Be prepared to share the typical costs of a funeral or cremation in your area. A local funeral director will be able to provide this information. Finally, make a record of the determined amount on the “Final Expenses” line.



### Refer to workbook

Refer participants to the **Myths & Realities** handout and discuss myth #3, which corresponds to the “Final Expenses” step in the LIFE acronym.




### Question(s) for discussion

- What other myths have you heard that would fall under the “Final Expenses” category?


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### Other Expenses

	Quote the following
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You might begin your discussion about education and other expenses by asking clients if they are planning to help their children or grandchildren with college expenses. People tend to have strong feelings about this subject and may need time to reason through their thought processes.

	Question(s) for discussion
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- How many of you plan to pay your children's way through college?
  - If you do, why?
- How many of you plan to have your children pay their own way through college?
  - Why is that?

	Quote the following
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Discussing our own preferences illustrates an important point. No opinion is right or wrong. Our opinions are based on our own experiences.



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Clients may need to verbally reason through their decision with you. Encourage them to verbalize their thoughts as they meet with you.

It is important that we concern ourselves with the customer's opinions and needs. This makes the final coverage determination more relevant, which makes their commitment to the final sum stronger.



Refer to slide

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Other Expenses

1. Education

- Do you plan to pay?

- Type of education

- Estimated cost

2. Others

- Charities

- Parents

3. Add

4. Record

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Quote the following

### Education

You may want to approach this need by asking if they are planning to help their children (or grandchildren) with college expenses.

If yes, continue the casual conversation by asking how much they think it costs to send a child to college.

The worksheet has some general estimates; you can also use the education calculator in the IFR to show them the current costs for a specific school.

Continue by asking, “If Joe dies before your children are out of college, would you wish to provide an education fund?” Ask the same question of the spouse.

### Other Expenses

Ask the customer, “Some people wish to provide funds for a charitable organization. Is this a concern for you?”

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Ask the customer, “Many customers have a family member such as a child or parent with special needs. Would you want a life insurance death benefit to help with any of these types of needs?”

Add up the amounts and record the total on the “Education” line.



Refer to workbook

Refer to the **Myths & Realities** handout. Discuss myth #4, which corresponds with the “Education” step of the LIFE acronym.



Quote the following

Education needs are not just for children. A surviving spouse may have a need for additional education as well.



Note to facilitator

### Total Estimated Life Insurance Needs

After completing all four steps in the LIFE acronym, it is important that the participants are aware of how the customer may be feeling.

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As the facilitator, you may want to check in with the workshop participants. Ask them how they are absorbing this information. Some participants may express feeling tired or feeling the need to take a break. You might point out that customers may feel similarly at this point in the process.

This discussion can be difficult for customers. It may be emotional, or others may simply find it hard to sit still for the amount of time it takes to make an thoughtful determination.



Refer to slide

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### Quote the following

After completing all four steps in the LIFE acronym, it is important to total those amounts.

After totaling these amounts, determine what resources already exist before deciding on a figure for life insurance coverage.

### Current Life Insurance

Ask the customer, “How much life insurance do you have at this time?” Ask the same question to the spouse. Be sure to include any employer benefits. Record the customer’s response(s).



### Note to facilitator

This may also be a good time to discuss the potential gaps in group benefits if a customer changes employers.

### Assets

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Refer to slide

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Quote the following

Every step of the life insurance needs analysis involves asking questions. At this point, it is important to determine the client's assets. This helps you to determine an appropriate amount, because the client will not want to pay for more coverage than is needed.

Ask the customer, "As you consider the assets available to you today, what assets do you feel will be available to help reduce the amount of life insurance that you may need?"

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Such assets may include personal savings, bank accounts, CDs, etc.



Refer to slide

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Quote the following

Add the total amount of current Life Insurance and assets.

Subtract the total Resources Available from Total Estimated Life Insurance Needs.

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The result is the amount of the shortfall or surplus of money to meet the customer's needs if the customer dies today. If there is a shortfall – there is a need!



### Activity

#### **Activity: Demonstration of Discovery Conversations (Optional)**

Prepare beforehand to demonstrate the discovery conversation for the participants with another instructor or team member. At this time, advise the participants that they will see you walk through a discovery conversation with a “client”.

Allow approximately 15 minutes.

Use a flip chart as a “note pad” for the LIFE acronym.

To further engage the participants, give each of them the LIFE acronym, one letter per sheet of construction paper. Ask them to hold up a letter based on which part of the conversation they think you are having. (L, I, F, or E)



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### Discovery Practice Triads



#### Note to facilitator

The purpose of this module is to provide the opportunities to practice the discovery conversation. Participants will experience the discovery conversation from three perspectives: as the client, as the agent (or team member), and as a silent observer.

Each participant will have the opportunity to practice, observe, and coach. Additionally, each participant will give and receive feedback about the discovery conversation in real time.

We recommend that the instructors use the following sequence to set up the practice triads.

1. Instructors model with each other in front of entire group.
2. Participants do a quick practice run through at their tables.
3. Participants form triads and rotate through the roles of coach, client, and agent.

Allow approximately 30 minutes for this module.

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### Activity

At this point in the workshop, instruct participants to form groups of three to conduct a discovery conversation.

They will use their own experiences as well as the things they've discussed during this workshop to ask and answer the discovery questions.

We recommend that the instructors use the following sequence to set up the practice triads.

For every triad activity throughout this course, we recommend using the following structure:

1. Instructors model with each other in front of entire group.
2. Participants do a quick practice run through at their tables.
3. Participants form triads and rotate through the roles of coach, client, and agent.

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To keep this as real as possible, we do not suggest using “canned” scenarios. We suggest that you require the team members to use their own life experiences and information when they are in the “client” role, so they can expand on the information, as necessary.

In each group, one person will act as the agent team member, one person fulfill the client' role, and the third person will observe the interaction.

It is best to explain the three roles before grouping the participants. The reason is that once participants are in motion, it will be difficult for them to hear or focus on your instructions.



[Refer to workbook](#)

- **Practice Triad Instructions – Discovery**

Ask participants to refer to their handouts for further clarification.

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### Practice Triad Instructions

#### Discovery

##### Agent Instructions

As the agent, your job is to complete a Financial Needs Analysis (FNA) on the client, and if there is a need for Life Insurance, get the answers to the “Big 3” questions. DO NOT make any explanations or recommendations to the customer at this time. You are simply fact finding.

##### Client Instructions

As the client, you may either give information based on your own situation, or pretend to be a client that you know. Whether the information is real or not, please try to act like a real person would.

Don't make it too difficult for the “agent” but don't make it too easy, either. The point of this exercise is to practice for a real life situation.

##### Observer Instructions

As the observer, pay attention to the interaction between the agent and the client. Take notes.

Prepare to provide feedback about the following:

- What the agent did well
- What the agent tried to do but could improve
- What the agent missed
- The client's reactions to the agent's approach

Also, take down ideas for yourself when it is your turn to conduct the conversation.

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### Additional Clarification and Instructions

#### No “Approach” Necessary

“Approaching” the customer about life insurance is not necessary for this exercise. This practice assumes that the participants have moved from the approach to the needs analysis. However, they should make the interaction as much like an actual conversation as possible during this exercise.

#### Timeline

Each group should take about fifteen minutes to have the conversation. The observer should take approximately five minutes to debrief the situation. Then, each member of the triad should switch roles and repeat the exercise until each person has been the agent team member once, the customer once, and the observer once.



#### Question(s) for discussion

- What happened when you practiced these conversations?
- What was challenging about practicing these conversations?
- What insights did you gain from practicing these conversations?
- How will this practice benefit you when you return to the agency?