**fi·du·ci·ar·y**

*noun*

*1. Law*. a person to whom property or power is entrusted for the benefit of another.

By Jeff Hess, Senior Life Marketing Consultant, Ash Brokerage



We are all fiduciaries in one form or another. The specifics behind our role as a fiduciary aren’t really important; some are more formal – as a trustee of an ILIT – while others more informal – as a financial advisor. However, what is important, and the focus of this discussion, is our ability to fulfill our fiduciary obligation to our clients, partners, colleagues, etc.

Unfortunately, many advisors view life insurance as a necessary evil that is not only confusing but also cumbersome. They believe products are difficult to understand and the industry is slow to change. At the same time, we consistently hear complaints about lapsed life insurance policies. If we incorporated life insurance into the discussion during a client review, perhaps this could be avoided.

As a fiduciary, we have the responsibility to ensure our clients’ financial affairs, and ultimately their goals and dreams, are cared for. The impact life insurance can have on the fulfillment of those visions can be huge. Imagine a 35-year-old couple with two children who are struggling to pay off their student loans; both feel passionate about saving for their children’s college education.

A common strategy, used to estimate the future cost of college, is to determine the monthly amount needed to fund this goal at an agreed upon rate of return, and save this amount in a 529 plan. Sounds great, other than the fact that we haven’t accounted for the potential risk of early death or disability of one of the parents. My guess is that the couple of hundred, or thousand, dollars saved will no longer be used for college expenses. Rather, they’ll most likely be needed for living expenses.

Just as concrete is needed to provide the foundation for a house with the rest of the structure remaining to be assembled, life and disability income insurance are key foundational pieces to ensure a sound financial plan is assembled and seen through to the end.

While there might be some mystery to life insurance and how each product type works, generally speaking, it’s not all that different from the way a mutual fund or stock portfolio works. Just like an investment portfolio, life insurance performance is based on internal fees and expenses, and an interest rate. I am not aware of an advisor who would implement an investment portfolio and then ignore it until the next major life event or the next time the client calls about it. Sounds pretty ridiculous, right?

We review our portfolios on a consistent basis – quarterly, semi-annually and annually. We make adjustments and recommendations when needed to ensure we’re still on the right path. And while life insurance doesn’t fluctuate and change as quickly as an investment vehicle does, the fact is that it doesn’t remain constant either. Internal fees, expenses and interest rates fluctuate just like an investment portfolio. And, more importantly, our clients’ needs, goals and dreams change as well.

Life insurance portfolios need to be regularly reviewed to make sure they’re still performing as intended, that we’re in the correct underwriting rate class, that we have the most efficient product to fit our current goals and that our total insurance in-force is in line with these stated goals. Historically, Ash Brokerage policy reviews show nearly 65 percent of all life insurance policies could be improved upon.

*A person to whom property or power is entrusted for the benefit of another* – I believe we all fit that description. If you’re looking for a way to differentiate yourself and take your practice to another level, incorporate insurance into your conversations with your clients and make sure it’s part of their review process. I promise, you’ll not only be viewed in a completely new light, but you’ll also raise the bar for the rest of the industry.

*Jeff has worked in the financial services industry since 1999, with more than seven years at Ash Brokerage. Jeff is focused on working with advisors in the field and providing them with unique tools and skills to serve their clients, in addition to working with the Life Insurance Audit as a solution for advisors. Prior to joining Ash, he worked as a John Hancock agent; this experience has allowed him to better understand the unique perspective of an agent, and how to best handle client objections during the planning process. Jeff is a graduate of Ball State University. He can be reached at: jeff.hess@ashbrokerage.com*