



# The Financial and Estate Planning Council of Metropolitan Detroit, Inc.

33006 W. Seven Mile Road, #237, Livonia, MI 48152 • (313) 530-9223 • FAX: (248) 479-0350

## President's Message

I hope you are enjoying the summer and the warm weather we are finally getting.

We had a successful and sobering charity golf outing in May. The weather was good, the time spent with members and guests was great, the filet dinner was fabulous, and the funds raised will go to the Graham E. Smith Memorial Fund For Suicide Prevention Inc. Its mission is to support community education on mental health, suicide prevention, and overall community wellness. Ken Massey, current Mayor of Farmington Hills, shared his experience of his stepson's suicide at the age of 27.

The next event in July was equally successful and interesting. Dave Dubensky, CEO of Ford Land, spoke to our group of nearly 100 people at Ford Field on Ford's plan to move into the historical Michigan Central Train Station in Corktown. It will be an "innovation hub" that will house teams working on the future of mobility—think self-driving cars, ride sharing, etc. The cocktail hour was in a spacious area that overlooked the newly replaced field. A majority of the attendees took advantage of the 30-minute tour of the facility during the cocktail hour. We heard a lot of positive comments about the event.

We hope to keep the momentum going with our last three educational meetings of the year. Stephen McDaniel will be speaking on fiduciary liability at Birmingham Country Club on September 26. We will have a Lunch and Learn on October 8 on elder abuse issues hosted by John Horwath, Special Agent with the FBI, at the Ukrainian Cultural Center in Warren. The last meeting on November 20 at Oakland Hills Country Club will be co-sponsored with the Planned Giving Roundtable and will have Paul Viren presenting on beneficiary designations. Join us at that last meeting of 2019 and welcome the incoming officers and board members for 2020.

Our Council will show appreciation to first responders in Farmington Hills at the end of October as part of the National Association of Estate Planners "Estate Planning Week". Our goal this year is to provide wills and powers of attorney to 25

to 50 individuals (first responders and spouses). Watch for more information on this in September. We will be offering separate sponsorship opportunities for this event to cover some of the costs. Please contact Kris Wolfe if you have an interest in sponsoring or know someone who may. She can be reached at 313-530-9223 or [Fepcmd@AssociationOffice.org](mailto:Fepcmd@AssociationOffice.org).

The Board would like to thank our members, Kris Wolfe, and the many volunteers who serve on committees and work these events. We should all be proud of the success we have annually on educating our members at interesting locations, providing estate planning services to our clients, and giving back to charitable organizations and communities.

Enjoy the rest of your summer and see you in the fall!

Sincerely,

Craig A. Mathiesen CPA, MST, CTFA

FEPCMD President

## WELCOME TO OUR NEW MEMBERS

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## Term Insurance, Beyond the Pricing

*Michael C. DeFillipo, CLU*

On November 2, 2018, VOYA Financial announced that effective December 31, 2018, it will effectively exit the life insurance business by no longer offering the sale of new policies. As has been the case historically, VOYA made note that they will continue to honor the obligations for existing policy holders; while that means that death claims will be paid and premiums on inforce business collected, it does raise a question as to what options will be available for owners of term insurance when it comes to conversion.

Term insurance is the most basic form of risk transference in the life insurance marketplace. These policies provide pure insurance protection that pays a predetermined sum (death benefit) if the insured dies while the policy is active. All premiums paid are used to cover the cost of insurance protection. The “term” is the number of years the insurance carrier guarantees the premiums will remain level, most often 10, 15 or 20 years; after the expiration of the term period, the policy is renewable going forward, but the premiums are likely to increase dramatically.

Because of the simplicity and the cost-effectiveness of the coverage, term insurance is the most often-sold coverage and is a major planning component for consumers from the very beginning stages of protection to high net worth individuals. In 2017, 2,366,679 term policies were sold for a total premium of \$2,314,113,000.

When it comes to demonstrating the profitability (for the insurer) or ineffectiveness (to the consumer) of term insurance, the most commonly quoted industry statistic is that “less than 1% of all term policies result in a death claim.” This analysis is incomplete, as several complicating factors, including the number of term policies that are replaced by lower cost term and/or the number of term policies that are converted to permanent insurance that results in a death benefit, may not be factored into the equation or represented in the data set correctly. That being said, based on experience, it is rational to assume the majority, if not the vast majority, of term policies will come and go without a claim being paid.

With guaranteed level premiums and the absence of equity build up, it is easy to make the assumption that all the

products are same, and, as such, the purchasing decision should be based on the price per unit of coverage. The ability to convert term insurance to permanent coverage without the need for medical qualification is an extremely important, though often overlooked, component of selecting a term insurance provider.

Because of the cash flow advantages of term insurance, term is often the foundation of a life insurance portfolio, purchased by clients as the first line of protection against a premature death. Term insurance may be used in lieu of permanent coverage due to budgeting restrictions, uncertainty of the future of estate tax, business succession planning, or as a gateway to a more permanent solution in the future.

An unfavorable change in health – in which the insured cannot qualify for the same rates, or is denied coverage – is most often the catalyst for triggering a term conversion. Conversion may be the only option for once-healthy clients who experience an adverse health condition to continue coverage beyond the initial term period. Unexpected health changes may affect people of all ages, even the young, healthy population. I recently had the experience of representing a close family member in converting coverage for a client who survived breast cancer at 30 years old. By activating the “call option” on her preferred rates from only two years prior, we were able to implement a permanent insurance product at attractive rates that the insured could not achieve for many years, if ever.

Many clients and advisors remember when MetLife – one of the largest and most dominant names in the industry – made the decision to exit the individual life insurance business in early 2016. As part of the restructuring, MetLife seeded a new company, Brighthouse Financial, to administer the enormous block of inforce business. As part of the division of contracts, MetLife retained a portion of term policies, which are convertible to a single whole life contract, that, under the various scenarios our firm examined, does not price competitively versus underwritten products in the marketplace. For advisors, the carrier doesn’t offer any sales support for conversion illustrations or application submission. Term policies recharacterized as Brighthouse are convertible to the PAUL product (Premier Accumulator Universal Life), which is generally used in the marketplace as an accumulation rather than death benefit focused product. One could come to the conclusion that MetLife/Brighthouse is honoring the contractual guarantee to make conversion

FINANCIAL AND ESTATE PLANNING COUNCIL OF METROPOLITAN DETROIT

presents

**A. Stephen McDaniel, JD, AEP, EPLS**  
**“Fiduciary Liability – A Few Things to Consider”**

*We are seeing more estate/trust litigation than ever. You will come away with a better understanding of why we are seeing more conflict in estates, how to prevent conflict, and how to protect the executor or trustee you represent.*

**THURSDAY, SEPTEMBER 26, 2019**

**Birmingham Country Club**  
**1750 Saxon Drive, Birmingham, MI 48009**

A. Stephen McDaniel is the managing partner with Williams McDaniel, PLLC. Mr. McDaniel's practice is limited to estate, charitable and business continuation planning, and probate and trust administration. Mr. McDaniel currently serves as an adjunct professor at the University of Memphis Law School of where he has taught Estate Planning, Estate and Gift Tax, Trust Law and Insurance Law. Mr. McDaniel is a Fellow in the American College of Trust and Estate Council and a member of the Memphis Estate Planning Council. He is a Certified Estate Planning Specialist by the Tennessee Commission on Continuing Legal Education and Specialization and is an Accredited Estate Planner (AEP) and holds an Estate Planning Law Specialist (EPLS) designation awarded by the Estate Law Specialist Board, the only approved American Bar Association program which certifies specialists in the field of estate planning. He is certified by the State of Tennessee as a Rule 31 Mediator.

Mr. McDaniel was selected by *Worth Magazine* as one of the top 100 estate planning attorneys in the country. He is included in the current edition of the *Best Lawyers in America* and was named in *Business Tennessee Magazine* as one of the top 150 attorneys in the State of Tennessee.

Mr. McDaniel is the Past President of the National Association of Estate Planners and Councils, an organization representing over 200 estate planning councils across the country with over 20,000 members. He is the Past President of the Memphis Estate Planning Council. He is a former attorney for the Internal Revenue Service. He is a Past President of the Estate Law Specialist Board.

Mr. McDaniel has lectured on estate planning topics across the country. He is a co-author of *A Grandparent's Guide to Gifted Children* published in 2004, a contributor to Leimberg Information Systems (LISI) newsletters and has been quoted in *Kiplinger's Personal Finance* and *USA Today*. Mr. McDaniel is a graduate of the University of Memphis (BBA 1968) and the University of Memphis School of Law (JD 1973). He is licensed to practice law in Tennessee and Missouri. Mr. McDaniel is a member of the Memphis Bar Association and the Tennessee Bar Association. He is a Fellow in the Memphis and Shelby County Bar Foundation.

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**AGENDA:** 5:30 p.m. Complimentary Cocktails / 6:30 p.m. Presentation & Dinner

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**Log onto our website by September 13, 2019 to make your reservation and pay with VISA or Master Card.**

[www.metrodetroitfepc.org](http://www.metrodetroitfepc.org) **RESERVATIONS RECEIVED AFTER SEPTEMBER 13 WILL COST \$85.00 PER PERSON.**

**OR PLEASE MAIL YOUR RESERVATION AND CHECK BY 9-13-19 TO: COST: \$70.00 PER PERSON THROUGH 9-13-19**

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**MEMBER NAME:** \_\_\_\_\_ **GUEST NAME:** \_\_\_\_\_

**TOTAL ENCLOSED:** \_\_\_\_\_ **SPECIAL MEAL REQUESTS:** \_\_\_\_\_

**UPCOMING FEPCMD LUNCH & LEARN EVENT**

**Tuesday, October 8, 2019**

**Ukrainian Cultural Center  
26601 Ryan Road  
Warren, MI 48091**

**SA John Horwath, FBI Detroit Division  
Complex Financial Crimes Program  
“Elder Abuse”**

**UPCOMING FEPCMD ANNUAL MEMBERSHIP MEETING  
Co-Sponsored with the Planned Giving RoundTable of SE MI**

**Wednesday, November 20, 2019**

**Oakland Hills Country Club  
3951 W. Maple Road  
Bloomfield Hills, MI 48301**

**Paul S. Viren, CLU, ChFC, AEP**

**“Beneficiary Designations”**



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available, but has designed the product and service model to limit the sales to only those insureds with no other options.

Brighthouse isn't alone in the availability of conversion options. Legal & General America, a combination of Banner Life and William Penn Life Insurance Company of New York, offers a single Universal Life policy for term conversions and new purchase. When operating separately, Banner was consistently a competitive carrier from a pricing standpoint, which, after mergers and acquisitions, has resulted in a limited portfolio – a choice of one.

A current trend in term conversions is to bifurcate the available options after a certain period of time, e.g., a full product portfolio is available for first 7-8 years of a 10-year term contract, but conversion in the “out” years – when a conversion is most often elected – is limited to specific permanent designs. Other carriers, most notably TransAmerica, will limit both the amount of insurance convertible (\$1,000,000 face amount maximum) and the products available by year. Several providers, such as Principal, will offer an extension rider that will push out the ability to convert through the entire duration of the level term period rather than for only for a portion of the period, e.g., seven of the 10-year level period. Based on underwriting class, this rider has a 7-10% increase in price. For a 43-year old male in the Preferred Non-Tobacco risk class, this takes the annual premium for \$2,000,000 of 10-year level term from \$1,120 to \$1,219.

The language of the permanent product to which you can convert is something to be considered. For example, Nationwide contractually only has to offer Whole Life, but currently offers Whole Life, Variable Universal Life, Universal Life and Indexed Universal Life. As of the writing of this article, the only highly-rated carrier that contractually guarantees the ability to convert to the entire product portfolio (those available at the time of conversion) is Penn Mutual.

In conclusion, the process of obtaining term insurance should be an analysis beyond the pricing. Especially in situations when term insurance is a bridge to future long-term permanent planning, consideration should be given to the value of having insurance on your future insurability. For clients with inforce term policies, the coverage shouldn't be treated as a “set it and forget it”. Whether the original issuing provider has made changes to its position on conversions or not, recent developments in the marketplace, including

the favorable pricing impact of the 2017 CSO table and advantageous changes to substandard risks, make it necessary for a term review to be conducted on a regular basis to confirm that the term insurance in place fits the client's needs now and into the future.

*Michael DeFillipo is a 2004 graduate of Swarthmore College with a degree in Biology. He has over 12 years of experience in the insurance industry, joining 1847 Financial in August 2016. Currently, Michael holds Life Accident and Health, Series 65, 63, 6 and 7 Licenses. He received his Chartered Life Underwriter (CLU®) designation from The American College of Financial Services in 2017. Michael has been a speaker at several industry marketing events, focusing on the technical aspects of life insurance design and application.*



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| <b>Credential(s) ·</b>              | Active license or certification as an attorney; accountant; insurance professional and financial planner; philanthropic advisor; or trust officer— holding one or more of the following credentials: JD, CPA, CLU®, CFP®, CFA, ChFC®, CPWA®, CAP®, CSPG, CTFA, MSFS, or MST                  |
| <b>Reputation &amp; Character ·</b> | Three professional references of differing disciplines                                                                                                                                                                                                                                       |
| <b>Ethics ·</b>                     | Declaration to continuously abide by the NAEPC Code of Ethics                                                                                                                                                                                                                                |
| <b>Education ·</b>                  | Completion of two graduate courses from The American College or similar graduate courses through an accredited university, college, or school of law as part of a masters' or doctoral degree program (fifteen+ years of experience in estate planning may exempt one from this requirement) |
| <b>Experience ·</b>                 | Minimum five years actively engaged in estate planning                                                                                                                                                                                                                                       |
| <b>Continuing Education ·</b>       | Minimum thirty hours of continuing education with fifteen in estate planning every two years                                                                                                                                                                                                 |

[www.naepc.org/AEP](http://www.naepc.org/AEP)

**56th Annual NAEPC  
Advanced Estate Planning Strategies Conference  
with Pre-Conference Sessions for Council Leaders**

November 5 - 8, 2019 - Las Vegas, Nevada  
The Cosmopolitan of Las Vegas



- >Online Registration Form
- >Download the Early Bird Brochure

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