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Making the Most of the Initial Interview

Your first meeting with any insurance agent is partly a job interview: The agent is hoping to be hired for the position of your insurance adviser. Thus the agent should do everything possible to demonstrate that he or she is well qualified for the job. As you talk with the agent, *your* task is to observe him or her carefully and to decide if the agent is indeed the right person to fill that post.

At the same time, your first meeting gives the agent a chance to interview *you*. The purpose of this interview is to find out a good deal about you so that the agent can design an appropriate financial plan for you and pick one or more policies that will best suit you and your family or business.

Remember, you will *not* be choosing (let alone buying) a life insurance plan at this initial meeting. In fact, the agent should not even *offer* you a specific policy proposal at this time; if they do, this is usually a very bad sign. In most cases, it demonstrates that the agent is not interested in serving your needs (no matter what he or she might claim) and that he or she is only out to make a buck. If the agent starts to pitch a particular policy (or even a particular *type* of policy, such as whole life or second-to-die) before finding out a good deal of information about you, dismiss him or her quickly but politely. That agent does not have your best interests at heart.

In comparison, a good agent—one who is truly service oriented—will spend most of the first meeting with you finding out a good deal of information about you. Then he or she will go back to the office, do some research on your behalf, run some sample scenarios through the computer and come up with a concrete financial plan for you.

By the end of your first meeting, an agent may have a good sense of what *type* of policy or policies are right for you—whole life, term, second-to-die, etc. They may

even be able to sketch a general outline of the kind of financial plan that might work best for you. But under no circumstances should an agent begin pitching a particular policy until he or she has done some research and computer work for you. (Actually, very few agents who pass your telephone test are going to try to sell you something at your first meeting. Most will work hard to collect information and show you that they offer quality personal service.)

Let me stress again the importance of allowing enough time for a productive meeting to take place. *Don't* try to compress or shortcut the meeting; you will only make it tougher for the agent to find or design the best policies for you. If you absolutely must leave the meeting early, or if it ends up requiring more time than you'd planned on, schedule a follow-up meeting to complete your business or arrange to complete it in a phone conversation.

The insurance agent will be gathering a lot of information at this meeting. Anything that prevents them from getting all the information they need—a lack of time, a lack of forthrightness on your part, or your inadvertent omission of details—will hinder them in their efforts to design the best and most appropriate policy for you. So try to be thorough and avoid rushing through things.

GETTING READY

It's also helpful if you prepare for the interview a little. Begin by briefly reviewing your own finances. Take note of the following:

- Your assets and investments and the approximate value of each

- Your earnings and other sources of income, both current and anticipated
- Your debts and other financial obligations
- Your ongoing expenses (mortgage and car payments, living expenses, loan payments, medical insurance, child support, employee benefits, etc.)
- Anticipated major expenses in the future (college for your kids, the purchase of a new home or car, etc.)
- Anticipated changes in your income in the future (promotion, retirement, receipt of an inheritance, etc.)

It's a good idea to make a brief written list of these items. If you prefer, however, you can simply bring pertinent documents with you to the meeting. If you can keep all the necessary information in your head, that's fine, too. The important thing is that you are ready and able to provide the insurance agent with a reasonably accurate picture of your family's finances.

If you already have one or more life insurance policies in force, get these out and have them available to show the agent at your meeting.

It is also a good idea to briefly review your medical history. (Most people can do this mentally in under 30 seconds.) If you have—or have had in the past—any serious or chronic health condition (cancer, a heart attack, diabetes, etc.), you should be prepared to let the agent know. You should also let the agent know if recent medical tests have revealed that you have high blood pressure, high cholesterol or some other cause for concern. If you smoke or use tobacco in any form, mention this as well. And be specific: most insurance companies will give you the lower nonsmoker's rate as long as you don't smoke cigarettes, even if you do smoke cigars or a pipe, use snuff or chew tobacco. Lastly, you should plan on telling the agent about any drugs or medications you use, including any illicit drugs such as marijuana and cocaine.

All of the information you give to any insurance agent will be kept strictly confidential. Professional ethics, etiquette and protocol all demand this confidentiality.

ONCE THE MEETING BEGINS

At the meeting, just be yourself. If you have any questions, ask them. If anything is confusing or unclear, request an explanation. Answer the agent's questions as completely and as straightforwardly as you can; if you can't see how or why a particular question is relevant, say so, and ask the agent to explain. Be polite and cordial, yet businesslike. And remember, you don't owe the agent your business. He or she is hoping to *earn* that business. At the same time, you are

looking for the best agent you can find, and you are willing to put in the time and effort to do it.

What an agent should bring most of all to the first meeting is his or her wholehearted *attention*—a willingness to listen, to take in information, to ask and answer questions and to be helpful. The primary purpose of this initial meeting, from the agent's point of view, is to gather information about you (and, perhaps, your family or business) so that the agent can design the best and most appropriate insurance program for you.

When I go to an initial meeting with any potential client, I don't bring my briefcase, policy proposals, illustrations, brochures or any kind of sales literature with me. I just bring pens and paper and an open and alert mind. Why do I travel so lightly at first? Because until I've talked extensively with someone, I have no idea what their insurance needs will be. And without knowing a person's needs, I simply cannot in good conscience offer him or her a life insurance proposal of any kind. If I did, I'd be like the car salesperson in Chapter 1 who tried to sell the family of eight a two-seater sports car.

When your meeting first begins, it is a good idea for you to state your goals and intentions once again. You might say something like this: "I'm looking for the right life insurance policy, but I'm also looking for a first-rate agent, someone who will give me excellent service and with whom I can build a long-term relationship. Today I'd like you to help me figure out my goals and needs for life insurance so that we can determine what kind of a policy will work best for me." If appropriate, be sure to add, "I'm also meeting with one or two other agents who have been recommended to me, and my plan is to go with the best agent and the best policy I can find." It's only fair to let the agent know that there is some competition.

Once the preliminaries are over, the two of you can get comfortable and the initial interview will begin. Expect the agent to ask you about some or all of the following topics:

- *Personal information.* This includes your age, date of birth and marital status; the number and ages of your children and any other dependents; etc.
- *Your occupation and hobbies.* The agent simply wants to know if you regularly engage in some potentially dangerous activity—e.g., stunt flying, parachute jumping or mountain climbing. If you do, this may affect your premiums and/or coverage.
- *Health information.* Have you had any major illnesses, injuries, conditions or other health problems? (Your health history can affect your premiums, and in some cases it can even affect whether or not certain insurance companies are willing to issue you a policy.) The agent may also ask some mental health questions—e.g., "Have you ever

been hospitalized for a psychiatric or psychological disorder?" or "Have you ever attempted suicide?"

- **Basic financial information.** This includes current and projected income from your job or business, your spouse's income from his or her job, income from other sources, investments, assets, debts, current annual expenses and anticipated special expenses (college costs, orthodontia, remodeling, etc.).
- **Special needs and expenses of family members.**
- **Information on any pension plans, IRAs or Keoghs you may participate in.**
- **Your current life insurance.** This includes information such as how much you and your family currently own, who pays the premiums on this insurance, the type and amount of coverage provided, your current premiums on that coverage, the company issuing the policy (or policies) and the current cash value (if any) of each policy.

But the most important topics the agent should ask you about are your financial goals and plans. Some of the questions an agent might ask include the following:

- Where would you like to be financially ten years from now? At age 55? 65? 75? 85?
- When do you want to retire? (I usually ask potential clients to give me both an ideal retirement age and a more realistic one.) How much income do you want or need annually during your retirement?
- If you die prematurely, whom do you want to continue to support, at what level of comfort and for how long? Are you primarily concerned about your spouse, your children, both, or someone else entirely? (I have worked with clients who were most concerned about their girlfriend or boyfriend, their niece or their grandchildren.)
- If you were to die prematurely, how much income will your family need on a monthly basis, *after taxes*, this year? How much 3 years from now? 5 years? 10? 15? 20?
- Of your current annual income, how much is already allocated for living expenses, debts, investments, etc.?
- Are you most concerned with protecting and increasing your assets while you're still alive or with providing for your family in the event of your premature death? Or are you equally concerned with both?
- How much do you feel you are realistically willing and able to put toward life insurance, both now and in the future?

I also like to ask this question: "If, financially, you could have anything in life, what would it be?" I have found that people's answers are usually quite revealing and very helpful to me when I put together a

financial plan for them. I can't always help people achieve their ideal goal—often this is simply impossible—but I can help them set a similar but more realistic one *and* help them to achieve it.

Most good agents will come to an initial meeting with a list of questions similar or identical to the previous ones, either written down or in their head. They will use your answers to these questions to create a financial plan for you and to locate or design one or more appropriate life insurance policies. They won't always need to ask all of these questions, particularly if your finances are fairly simple and straightforward, but they will usually ask many or most of them—and they will know exactly what questions to ask in your particular case.

Figure 3.1 is a questionnaire that I fill out when first meeting with a potential client, based on their answers to my questions. In many cases I need to fill in only a few small portions of this questionnaire; but if the potential client is wealthy and has complex finances, I may need to fill out most or all of it. Normally I try to get answers to my questions through discussion, rather than by mechanically asking them one by one. (Either method is acceptable, however.)

It's also very important that you let the agent know of any information that might directly relate to your insurance coverage or your overall financial circumstances, *even if they do not ask for it*. Here are some examples of things you should tell your agent:

- You have promised to pay for your grandchild's college education once he or she turns 18.
- You have several thousand dollars in off-the-record gambling debts (or a substantial amount of off-the-record savings or income).
- You plan to quit your job and start your own business within the next year.
- You plan to have another child within the next few years.
- You want to set up trust funds for your kids.
- You are thinking about buying a considerably more expensive home in the next couple of years.

If you are not sure whether a piece of information is pertinent, go ahead and mention it. Let the agent decide whether or not it has any bearing on your insurance coverage. After all, the reason you purchase life insurance today may not be the reason you need it or use it tomorrow.

Once again, it is important that you be honest and forthright with the agent. If you give him or her incomplete or erroneous information, he or she may come up with a policy that really isn't right for you. As the saying goes, garbage in, garbage out.

A very important consideration for the financial future of many people is disability insurance. Virtually

Figure 3.1 Sample Agent's Questionnaire (continued)

FAMILY INFORMATION (Continued)

IV. YOUR	Name	Residence	Age	Occupation	Approx. Income	Approx. Estate	Health
1. Grandparents							
2. Parents							
3. Brothers							
4. Sisters							

V. YOUR SPOUSE'S

1. Grandparents							
2. Parents							
3. Brothers							
4. Sisters							

VI. ADVISORS

	Name	Address	Why Selected? (Area of Specialty if Known)
1. Attorney			
2. Accountant			
3. Banker			
4. Stock Broker			(Investment Objectives)
5. Insurance Broker			

VII. WILLS & TRUSTS (Obtain Copies)

	Husband	Wife
1. Type (simple, testamentary trust, A/B or pour-over)		
2. Date Executed/Location		
3. Life Insurance Trust involved?		
4. Special Bequests		

Figure 3.1 Sample Agent's Questionnaire (continued)

ADDITIONAL FACTORS AFFECTING YOUR PLAN

Compare, in terms of your own priorities, the importance of adequate funds in order to do the following (indicate ranking by first, second, etc.):

- Enjoy a comfortable retirement.
- Take care of self and family during a period of long-term disability.
- Provide college education for all children.
- Take care of your family in the event of your death.
- Any others that are important to you.

GIFTS MADE BY YOU OR YOUR SPOUSE (Over \$10,000 in one year).

Date	Amount	To Whom?	Outright or Trust?	Type of Property	Have Gift Tax Returns Been Filed? (Get copies)
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Have Any Family Members Created Any Trusts? -- Details (Get copies of instrument)

Do Any Members Of Your Family Expect To Receive Substantial Gifts Or Inheritances In The Near Future?

Name	Source	Estimated Amount
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AT YOUR DEATH

Is your spouse good at handling money?

At what age and in what fashion would you want your estate assets to pass to your children?

Tax considerations aside, in what manner would you want your estate to be distributed?

YOUR DEATH:

Dependency Period

Considering the standard of living to which they have become accustomed, what is the minimum income you would like to provide for your family while the children are still growing? \$_____ /mo. until youngest child's age _____.

Independent Life Income

After the children are grown, what is the minimum amount you wish to provide your spouse for the rest of their life? \$_____ /mo.

Figure 3.1 Sample Agent's Questionnaire (continued)

ADDITIONAL FACTORS (Continued)

AT YOUR DEATH (Continued)

Will your spouse live in your present home?

Will the present mortgage be paid on death or from spouse's monthly income? (Circle answer)

Would you want your spouse to devote as much time to raising your children as they do now?

Should your spouse be provided a lifetime income so that they won't be dependent upon the children in later life?

What three nonprofessional advisors would your spouse turn to for advice?

In the event you and your spouse should die while your children are still minors, who would be most qualified to raise them? Are there guardianship provisions in your will?

In the event you and your spouse are both deceased, should the children receive your entire estate at age 21, or at a more mature age?

Child	Age	% Distributed

Are you planning to leave any specific assets to family members or to charity?

EDUCATION OF CHILDREN

Child	No. Years Until College	School	Estimated Annual Cost	Post Graduate Education	Total Cost

Do you plan on paying the entire cost?

How are you funding this obligation?

RETIREMENT

- A. At what age do you plan to retire? _____
- B. At what income? \$ _____
- C. What is the minimum amount below which you would not be willing to let your retirement income go? \$ _____

DISABILITY

- A. If you become totally disabled, how long would your present income last? _____
- B. Does your employer sponsor a "sick pay plan"? _____ If so, what portion of your income is covered? _____
How long during your disability are benefits payable? _____
- C. What is the minimum amount you and your family would need each month during your disability? \$ _____
- D. Do you own disability income coverage other than company sponsored protection? _____
(If so, please obtain the policies for a complete analysis)

Figure 3.1 Sample Agent's Questionnaire (continued)

PROPERTY OTHER THAN INSURANCE AND BUSINESS INTERESTS

FAMILY PROPERTY	Fair Market Value and Titled Owners					Present Indebtedness	Int. Rate (%) & Due Date
	Husband	Wife	Children (Who?)	Joint* (Survivorship Rights)	Joint** (No Survivorship Rights)		
PERSONAL PROPERTY							
HOUSEHOLD FURNISHINGS							
PERSONAL EFFECTS							
AUTOS							
BOATS							
JEWELRY—FURS							
COLLECTION—HOBBY—EQUIPMENT							
OTHER							
REAL ESTATE							
RESIDENCE							
SEASONAL RESIDENCE (location)							
OTHER REAL PROPERTY (location)							
CASH OR EQUIVALENT							
SAVINGS ACCOUNTS							
CHECKING ACCOUNTS							
CERTIFICATES OF DEPOSIT							
CUSTODIAL ACCOUNTS (who?)							
SECURITIES (Marketable)							
TOTAL CORPORATE BONDS							
TOTAL MUNICIPAL BONDS							
TOTAL U.S. GOVT. BONDS							
TOTAL LISTED COMMON STOCK							
TOTAL LISTED PREFERRED STOCK							
MUTUAL FUNDS							
MISCELLANEOUS							
SURVIVOR ANNUITIES							
MORTGAGES, ACCOUNTS RECEIVABLE, NOTES (Unpaid Balance Due You):							
TOTAL MORTGAGES OWNED							
TOTAL ACCOUNTS RECEIVABLE							
TOTAL NOTES RECEIVABLE							

* In a community property state assume any items in this column are community property unless specifically stated to be otherwise.
 **Tenant in common.

Figure 3.1 Sample Agent's Questionnaire (continued)**LIFE INSURANCE**

(It is suggested that policies and most recent policy anniversary premium notices be examined personally, if possible. The following information should be recorded on this page. A receipt form is contained herein.)

POLICY NUMBER(S)					
INSURED					
ISSUE AGE					
NAME OF INSURANCE COMPANY					
OWNER/CONT. OWNER					
TYPE OF PLAN					
*CASH VALUE					
EXTRA BENEFITS (e.g. waiver of premium, accidental death, etc.)					
AMOUNT OF BASE POLICY					
*DIVIDENDS (VALUE & OPTION)					
TERM RIDER(S)					
LOAN OUTSTANDING					
NET AMT. PAYABLE AT DEATH					
BENEFICIARIES/CONT. BENEFICIARIES					
REASON PURCHASED					
POLICY NUMBER(S)					
INSURED					
ISSUE AGE					
NAME OF INSURANCE COMPANY					
OWNER/CONT. OWNER					
TYPE OF PLAN					
*CASH VALUE					
EXTRA BENEFITS (e.g. waiver of premium, accidental death, etc.)					
AMOUNT OF BASE POLICY					
*DIVIDENDS (VALUE & OPTION)					
TERM RIDER(S)					
LOAN OUTSTANDING					
NET AMT. PAYABLE AT DEATH					
BENEFICIARIES/CONT. BENEFICIARIES					
REASON PURCHASED					

*NOTE: When involved with community property—current cash values are required.

PLEASE do not send life policies to the Home Office—forward this summary or EKS analysis only.

Figure 3.1 Sample Agent's Questionnaire (continued)

BENEFITS ARISING FROM CONTINUED EMPLOYMENT

EMPLOYER

Who could provide specific information that you do not have?

_____ Title _____
 Department _____ Phone _____

GROUP LIFE INSURANCE:

Amount of Current Death Benefit \$ _____

Beneficiary Designations: Primary _____ Contingent _____

Have you assigned this benefit? _____ If Yes, to whom? _____
 Yes No

TAX DEFERRED COMPENSATION:

Qualified Plan: _____
 Pension Profit-Sharing None

Amount of Current Death Benefit: \$ _____

Beneficiary: Primary _____ Contingent _____

Percent Contributed by Employer _____ % By Employee _____ %

Estimated Pension at Age 65 \$ _____ Funding _____
 (Monthly) (Type)H.R. 10 Plan: _____ Type of Funding _____
 Yes NoAnnual Contribution Total Contributions Date Started No. of Employees
 (Self) \$ _____ (Self) \$ _____ Covered _____Your Death Benefit \$ _____ Primary Beneficiary _____ Cont. Ben. _____
 (Current)Split-Dollar Plan _____
 Yes No

Describe Plan of insurance, death benefit, ownership and beneficiary _____

One Year Term Insurance in force _____ Increases with Premium _____ Cash Value _____
 Yes NoIs insured's consent required to change beneficiary? _____
 Yes NoDeferred Compensation Agreement _____ Describe provisions and funding? _____
 Yes No

(Obtain copies of any split-dollar or deferred compensation agreements and settlement instructions.)

OTHER EMPLOYEE BENEFITS:

Please provide any current information available (booklets, etc.)!

Employee Group:	Benefit Is Presently Provided	Tax Deferred Compensation:	Benefit Is Presently Provided
Survivorship Annuity	_____	Stock Bonus Plan	_____
Dependent Life	_____	Employee Stock Purchase Plan	_____
Accidental Death	_____	Qualified Stock Option Plan	_____
Travel Accident	_____	Restricted Stock Plan	_____
Dismemberment	_____	"Shadow" Stock Plan	_____
Hospitalization	_____	Tax Deferred Annuity Plan	_____
Surgical Expense Benefits	_____	Medical Reimbursement	_____
Major Medical	_____	Other:	_____

every good life insurance agent is also knowledgeable about disability coverage. Because many individuals and families need disability insurance every bit as much as they need life insurance, you may want to say to the agent, "When developing a financial plan for me, I'd like you to consider whether you feel disability coverage—or additional disability coverage—is also appropriate. If you think it is, then I'd like you to make that part of any overall financial plan you might suggest." If disability coverage is part of a financial plan an agent prepares, you are of course under no obligation to buy either the disability coverage or the life insurance. (Any detailed discussion of disability insurance is beyond the scope of this book, but any good life insurance agent can answer whatever questions you might have on the subject.)

A TYPICAL INTERVIEW

To give you a sense of what your initial interview with a life insurance agent might be like, I've provided below some excerpts from an actual interview between myself and a potential life insurance buyer. (The client gave me permission in advance to record our conversation.) For the sake of clarity and readability, I've included only my own questions and statements and have omitted some of those that seemed repetitive or obvious. I've also done some editing where necessary.

What I'm going to do is go through this financial analysis questionnaire with you. Let's go through the estate interview first. We'll start with how much death benefit and retirement benefit you need.

Now, people say to me that they've read in *Money* magazine or *The Wall Street Journal* or somewhere else that they need two and a half times their annual income in death benefit—or five times or seven or ten. But I don't think any of these figures is really scientific; everyone's situation and needs are different. Can the right amount of death benefit really be the same for everyone who earns \$70,000 a year? Does a 31-year-old single woman with no dependents really need the same death benefit as someone who makes the same income but has six kids and a spouse who is a homemaker? Each person has specific needs and wants.

I've designed an analysis where we can plug information into a computer based on an analysis model. It's not totally foolproof, but it's a lot more scientific than multiplying your annual income by five. . . .

If you were to die today, how much income would you need to provide for your family on a monthly basis? How much before income tax, and

how much after tax? . . . Now, in considering this, why not also consider using part of the death benefit to pay off the mortgage? This turns out to be much cheaper in the long run. Instead of paying all that interest, you pay a much smaller amount plus the principal. This means your beneficiary will need less money on a monthly basis if you die prematurely.

So we can look at things in two ways: (1) if mortgage payments continue and (2) if the mortgage is paid off at your death. What I'll do is run a financial analysis for you (see Appendix B, page 221) for each of these two scenarios. In both cases, we need to figure out how much your family is going to need on a monthly basis. . . .

Do you and your wife have simple wills or special wills? Okay, simple wills. Good. There's nothing wrong with having special wills, but they make financial planning more complex.

Now, there are no right or wrong answers to the questions I'm going to ask you (the "additional factors affecting your plan," at the top of page 24). But your answers will help both of us to determine your needs. . . .

Is your spouse good at handling money? If not, you may want to consider setting up a trust. How would you like your estate to be distributed? . . .

So we've figured out that if you were to die prematurely, your wife would need \$3,000 a month after taxes in 1993 dollars. That's assuming you decide to continue paying on the mortgage after you die. Right now your gross annual income is just about \$40,000. Now, the current federal income tax on this is \$4,504. The California income tax is \$847, making a total annual income tax of \$5,351. Now, for the sake of calculation, if you die I'm going to put your wife in a flat tax bracket of 16¢ on each dollar of income. This isn't 100 percent accurate, but it works out pretty close. So if you die prematurely, your wife really needs \$3,846 before taxes each month.

I'm going to put these figures into my computer, but I'm also going to adjust them for inflation. Inflation's been running 4 or 5 percent a year for some time; over the past ten years, it's averaged 4.9 percent a year. So is 4.9 percent the inflation factor you'd like me to use? Good . . .

Now let's consider college for your kids. Do you plan to send both of them to college? Okay, you do. Let's estimate some costs here. In 1991, a public college cost about \$6,000 to \$10,000 a year, including living expenses, and a private one averaged about \$15,000 to \$22,000 a year. College costs have been going up at the rate of 8 percent a year, and we'll need to build that in, too. Now, do you want to pay for four years of college or only two—or do you want to pay for a master's degree for each

child, too? All right, four years. I suggest we estimate the cost in today's dollars at \$45,000 per child. The computer will do all the adjusting for inflation, rising college costs and the rest. Now, do you want to pay for your kids' full education, or do you want to pay a certain portion and have them work or take out loans for the rest? Okay, you want to pay 75 percent; I'll build that in. . . .

Now, at what dream age—knowing you may never reach that goal—would you like to retire? And how much income would you like per year to live on once you retire? Now, what's the *lowest* monthly income you feel you could comfortably live on? Just give me figures in today's dollars; I'll have the computer do all the adjusting for inflation.

Okay, now what's a more realistic age at which you'd like to retire? Good. I'll do a computer run for both of these ages, and I'll be figuring in inflation, life expectancies, Social Security benefits and so on. . . .

I'll do a full computer run for you and get back to you within two weeks. Then what I'd like to suggest is that we get together in my office. I'll have lunch sent in, and we'll do an in-depth analysis of everything. What the computer will show you is, if you were to die today, how much total capital you would need, based on all the information you gave me today. This analysis will also show you how much money you need for retirement, how much for death benefit, and so on. You don't have to buy this much in death benefit, but at least you'll know what the realities are.

Let me go through some of the assumptions I'll be using. As I said, I'll be estimating inflation at 4.9 percent a year. I'm assuming that the spending power of Social Security benefits will remain the same in years to come. If you die prematurely, I'm assuming that the death benefit will be put into a capital account earning 7.5 percent interest each year; your spouse will slowly and steadily make withdrawals from that account, starting with the interest and eventually eating into the principal, with the account zeroing out at age 80. I'm assuming that your spouse will live to be 80, and for any retirement calculations I do, I'll assume that you'll live to that age, too. All of these assumptions will be spelled out in writing when I deliver your financial analysis. . . .

Is there anything else important that I need to know? Okay, then, I'll take all of this information back to my office and run it through my computer for you, and I'll be giving you a call within two weeks.

Not every interview will precisely follow this format, of course; different agents have different styles and approaches. Some will be chatty, others businesslike; some will make the interview into a discussion, others into more of a question and answer session. I often hold two meetings instead of one: The first is a get-acquainted session, in which I begin to establish a relationship with the client; the second is a more structured meeting in which I gather information and ask more detailed questions. Or, I might begin with an in-person interview and then follow up with a phone conversation, during which I fill in the financial questionnaire. (I consider this my responsibility, not my client's.) Whatever approach an agent uses, the more he or she listens, asks questions and makes notes, the better.

If you are interested in looking over an actual financial analysis, you may wish to see Appendix B, which presents an actual computer run for one of my clients (who shall remain anonymous here). You'll see that this analysis has three parts: (1) a complete description of all the assumptions used in the analysis, (2) figures based on paying off the family mortgage in full if and when the head of the household dies prematurely and (3) figures based on continuing to make mortgage payments after that person's premature death.

THE END OF THE INTERVIEW

Through careful questioning, a good agent will help you to better define your own current and future financial needs, plans and goals. Based on this information, the agent will go back to his or her office, analyze all the information you've provided, run some possible scenarios through the computer and develop a suggested financial plan for you. (This plan will of course include life insurance; if appropriate, it may include disability insurance as well.) Then, at your next meeting, the agent will suggest the following:

- The type of life insurance policy that's best suited for you (term, whole life, universal life, a blend, second-to-die, some combination, etc.). In some cases, the agent may also suggest a particular *number* of policies for your family (e.g., one for you and one for your spouse, one for you alone, one for you and one for each of your children, one term and one whole life policy for you, etc.).
- The approximate amount of death benefit you (and, if appropriate, your spouse, business and/or children) need.

- The approximate amount of cash you will need to accumulate to accomplish your goals and the year by which you will need to accumulate that amount. (If term insurance alone can best serve your needs, the agent will omit this item.)
- Proposals for one or more specific policies that he or she believes will work well for you and/or for your family or business. If appropriate, the agent may also include one or more proposals for disability coverage.

Some agents may not so much make suggestions as work closely with you to come to some conclusions and decisions together. This is the way I like to work. Both methods—offering suggestions or coming to joint decisions—are highly professional and acceptable.

Certain agents may give you a quick rundown of some of your options, either at your first meeting, your second or both. For instance, they might explain that you can choose between a policy that requires an annual premium every year, one that requires only 20 (much larger) annual premiums to provide coverage to age 100 or one that requires only 10 (larger still) premiums to provide similar coverage.

Whether or not an agent does this depends a good deal on what he or she has learned from you in your initial meeting. For example, if the amount of money you can put into life insurance is extremely limited, the 10- and 20-premium options are obviously out of the question. On the other hand, the agent might let you know about certain other choices—for instance, a policy where the premium starts out low but goes up every year versus one where the premiums start out somewhat higher but stay level for five or ten years at a time.

What you *don't* want is someone who seems to know exactly what they want to sell you before they have gotten a good deal of information from you. This agent does not have your best interests at heart. Politely thank the agent and end the meeting. You need an agent who has no preconceived notions or hidden agendas.

At your initial meeting, the agent may also help you outline a *general* financial plan, with details and specifics to be worked out later and presented at your second meeting. Unless you are wealthy, this plan will probably be fairly simple and straightforward. It may include nothing more than a simple term life insurance policy; one or more whole life policies; a blended, universal life or second-to-die policy; or some combination of these.

Throughout your meeting, observe the agent closely and carefully. Is the person polite, patient and helpful? Does he or she answer your questions clearly and completely? Has he or she been thorough in get-

ting information from you? Has the agent been concerned with you and your unique circumstances? Does the financial plan suggested make sense to you? Has the agent's focus clearly been on helping you rather than on simply selling you a policy?

If the answer to all of these questions is yes, then you've located a very good life insurance agent—someone you can trust and with whom you can build a long-lasting and successful business relationship. Nevertheless, it's important that you end your meeting by reminding the agent to do three things:

1. The agent should come up with an overall financial plan for you as well as bring you one to four proposals for policies that he or she believes will be highly appropriate for you.
2. Before offering you a policy proposal from any insurance company, the agent should first ask an actuary at that company the O'Neill Questions. He or she should look over the answers to those questions and decide if the company is both realistic about its illustrations and in strong financial shape. The agent should then offer you policy proposals *only* from companies that have provided satisfactory answers.
3. When offering you a proposal from any company, the agent should provide you with that company's answers to the O'Neill Questions. Tell the agent that these answers must be provided in writing and signed by a *company actuary*, and they must include current ratings as well as two sets of interrogatories: the Schedule M Supplement and the Exhibit 8 Supplement.

The previous sentence may sound complicated at first, but once again, it's not. Look back at the last two O'Neill Questions for a moment. Like all of the questions, the final two questions have yes or no answers. However, in each case, if an insurance company answers yes, it must also provide your agent with certain information. In the case of the 12th question, it must provide its current ratings, which are expressed in modified letter grades such as A+, A, Baa, etc. *Every actuary at every insurance company knows by heart exactly what their company's current ratings are from all of the major rating agencies.* As for the interrogatories, these are simply the insurance company's answers to two sets of questions that all life insurance carriers are required by law to file; the actuary can easily make a photocopy of both sets of interrogatories—officially called the Schedule M Supplement and the Exhibit 8 Supplement—and mail the copies to your agent. (Some agents may already keep this information from many companies on file and may update those files every year.)

Note once again that, for now, you do not need to know the specific answers to the O'Neill Questions yourself. You simply want to make sure that the agent performs due concern on your behalf. Also note once again that this is not a large or difficult task. The agent needs only to send the list of questions to a company actuary, get the actuary's responses, read them over and bring them to you. If, in looking those answers over, the agent realizes that the company is not as financially stable as it should be, he or she knows to look for a policy from another company instead.

Of course, if you're not happy with an agent's attitude or actions in your initial meeting, don't ask the agent to do any of the three things just listed. Simply thank the agent for his or her time and say goodbye.

If the agent *has* done a good job thus far, however, make a second appointment. At this second appointment, the agent will offer you one or more specific life insurance proposals. If they have not already suggested an overall financial plan for you, they should do this as well at your second meeting. If they already have outlined a general plan for you, they may add some more details or suggest some changes at that time. Although this meeting might be as brief as one hour or as lengthy as three, you are usually safe if you schedule a two-hour meeting.

Before the agent leaves, it is a good idea to make one final point: "If you can't find a policy that's right for me from a good insurance company, please let me know. I don't want to waste your time looking at inappropriate policy proposals or proposals from second-rate companies." A good agent will understand your concern completely.

When your first meeting is over, thank the agent for his or her time and assistance and let the agent

know that you're looking forward to seeing some specific proposals.

SOME FINAL TIPS

If you're fortunate, you'll find two or more first-rate agents with whom to make initial appointments. If so, that's great: You're in the enviable position of being able to choose not just among insurance policies but among potentially excellent agents as well. Go through each interview in exactly the same way; take your time with each agent and treat all of them equally. Although it may seem time-consuming to have to answer some of the same questions two or more times, do so thoroughly and honestly. Keep in mind that you're getting two extra benefits in exchange: (1) the chance to see different agents in action and (2) the chance to compare them (and the policy proposals they will ultimately offer you) against one another.

If you find only one agent who seems savvy enough to make an appointment with, that's fine, too. After all, you need only one good agent. However, if the agent is not as helpful or knowledgeable in person as they should be, *don't work with him or her*. You are better off making more phone calls and taking the extra time to find someone who will do the kind of job you want and deserve.

In Chapter 6 I'll discuss in detail the process of choosing a policy. In the next two chapters, though, I'd like to take a step back and look more closely at two important considerations: (1) the different types of policies available (Chapter 4) and (2) the financial strength and stability (or, in some cases, the weakness and instability) of insurance companies (Chapter 5).