



**Elite Marketing Group**

*An Insurance Designers member since 1986*



**YOU CAN USE**

Brought to you by:  
**Elite Marketing Group**  
[www.elitemktg.net](http://www.elitemktg.net)

November, 2018



## Letter from the President

### 101(j) Requirements for Employer-Owned Life Insurance

The Pension Protection Act of 2006 (PPA) became law on August 17, 2006. It included new rules on employer-owned life insurance (EOLI) policies issued or materially changed after that date.

If the employer-owned rules are not complied with, a portion of the death benefit received on an EOLI policy will be subject to income taxes.

An employer-owned life insurance contract is defined as a life insurance contract which:

- 1) Is owned by a person (or entity) engaged in a trade or business, and under which such person or a related person is directly or indirectly a beneficiary under the contract, and
- 2) Covers the life of an insured who is an employee with respect to the trade or business of the applicable policy owner on the date the contract was issued

Under IRC code 101(j), the general rule is that death benefits received on employer-owned life insurance contracts are taxable to the employer, to the extent the death benefit exceeds an amount equal to the sum of the premiums and other amounts paid by the policyholder for the contract.

To receive death benefits without triggering the additional income tax imposed by IRC 101(j), two requirements must be satisfied:

- 1) Notice and Consent must be obtained before the policy is issued
- 2) The insured must fall into one of the statutorily defined coverage conditions or exceptions.

If these two requirements are not satisfied, the death benefit on the EOLI policy will be included in the employer's income.

#### Exceptions:

- 1) The insured is an employee at any time during the 12 months preceding the insured's death ( for example, a recent employee)
- 2) At the time the policy is issued the insured, the employee is:
  - a) a director
  - b) a highly compensated employee
  - c) among the highest paid 35% of all employees
- 3) The death benefit is paid to a member of the insured's immediate family, to the insured's designated beneficiary or to a trust for the benefit of a family member.
- 4) The death benefit is used to purchase an equity interest in the policyholder (employer) from a family member, estate, trust or beneficiary.

If your business-owner clients have concerns, offer them a simple peer-to-peer review of their EOLI policies at absolutely no cost. If you want more information, please call our office.

**Durr H. Sexton, CLU**  
President  
Direct 713.507.1013  
Fax 713.507.1090  
[ds Sexton@elitemktg.net](mailto:ds Sexton@elitemktg.net)  
[www.elitemktg.net](http://www.elitemktg.net)



*“If you have an account you are excited about, chances are that other agencies could have the same client submission sitting on their desk.”*

**Deven Hennessey**  
Director of Marketing  
Head of Premium Finance  
Elite Marketing Group  
Direct 713.507.1040  
Cell 802.881.8788  
Fax 713.507.1090  
dhennessey@elitemktg.net  
[www.elitemktg.net](http://www.elitemktg.net)

## Five “Best Practice” Tips That Will Net You More Business

We generally say we know what to do and how to do it, but do we always take our own advice? Are we always remembering the top tips and best practices that make us successful? Not likely, I’d wager. The day gets busy. The market is changing. A client is being difficult. You need order, relief from the chaos around you. To that end, here are a few “best practices” to help you through the day and through your sales. Write these down, print them out, and keep them in the front of your mind.

- 1) **Handwritten Thank You Notes:** Remember when this was the norm? Why did we stop doing this when we knew it was so effective? Oh yes, email came onto the scene. We need to bring that personal, warm touch back.
- 2) **Know How To Submit And Sell To A Carrier:** Move your submission to the top of the underwriter’s desk and you will likely get better pricing and a quicker response. That’s what your clients want. Not every carrier is created equal and not every rating has the same price. Let Elite Marketing teach you why and when to use a particular carrier.
- 3) **Communication:** If you have an account you are excited about, chances are that other agencies could have the same client submission sitting on their desk. Communication can certainly set you apart from those other agencies. The quoting process, especially for complex accounts, can take several days or even weeks. Don’t keep your client in the dark until you hear back from all your carriers. Send them updates to keep them “in the loop.” It can make all the difference.
- 4) **Drip Marketing:** Agents should provide a continual “drip” of information to their customers. Email newsletters throughout the year to help build trust and confidence. As an example, your email could include back-to-school information, or you could send something about market changes. Be a resource throughout the year by providing information that clients find useful.
- 5) **Be Bold:** Do things differently. If it doesn’t work, so what? You tried something new and learned from it. At the very least, you will set yourself apart from everyone else by becoming more memorable. The next time you try something, use what you learned. Regroup and try again.

We don’t have to reinvent the wheel. Our industry doesn’t have to be so complicated. Communicate with clients regularly, keep them informed, be a resource for them, and be invaluable. These five best practices are just a starting point: I’ve got a hundred more to share!



*"It's like having your cake and eating it too."*

**David Lehuquet, CLTC**  
Director of Marketing,  
Life and LTC  
Elite Marketing Group  
Direct 512.911.4582  
Fax 512.257.9701  
dlehuquet@elitemktg.net  
[www.elitemktg.net](http://www.elitemktg.net)

## Free Lunch: Is There Such A Thing?

In a day and age where you get charged extra for everything from having too many bags on a flight to the size of your french fry order, it is refreshing that some carriers we work with see a niche for added extras and riders at no additional charge. It's like having your cake and eating it too!

I am, of course, speaking of Living Benefits being added to term policies at little to no additional cost. The most recent is North American, as they have now added extra protection to their term policies for no additional premium. They are joining a long list of carriers who include, but are not limited to, Columbus, National Life Group, American National and Transamerica.

Please see this link for North American's promotional micro site:  
<http://nalife.northamericancompany.com/NA-AddvantageTermADBE>

Fewer than 10 percent of our clients have a plan for that unexpected medical event or illness. Many claim it's "too expensive" or that they are "too young" for that type of insurance. Some believe that a major medical event won't happen "to me." Sickness and accidents, however, do not discriminate. Whether we are young or old, rich or poor, the unforeseen can happen to any of us.

The way I see it: If it's free it's for me! If you can get chronic, critical and terminal illness riders added for no cost, why would you say no? Your clients undoubtedly feel the same way.

The industry has seen a rise in sales of Linked Benefits (LB's) and/or asset-based Long Term Care products which focus on LTC and have a small death benefit. Conversely, life insurance products with LB's are primarily focused on the Death Benefit, with the LB's added as a side note.

There needs to be a distinction between the two products, because the focus is on either the death benefit or the LB's. If you are having a tough time distinguishing between a Long Term Care product (traditional or asset based) or an insurance policy with a living benefit rider, don't worry. Call your Elite Marketing Group Director to discuss it. You just might get that free lunch!



*“When a C or S-corporation distributes a life insurance policy to an employee, the corporation recognizes gain as if it sold the policy for its fair market value.”*

## What!?!?

### You Have To Pay Tax On The Gain In A Life Insurance Policy?

There is an opportunity in today’s business planning marketplace that seems to be flying under the radar. It is an excellent opportunity to bring value to your business-owner clients who are taxed as an LLC, LLP or Partnership. Credit for bringing this planning opportunity to us belongs to Bob Ritter at InsMark.

The specific tax issue involves cash value life insurance owned by a Partnership, LLP, or LLC on the life of a partner or member for buy-sell and/or indemnification purposes. If the policy is transferred to the insured partner or member at retirement, what are the income tax consequences to both parties?

Each of the three entities noted above can elect taxation as a partnership, an S-corporation or a C-corporation. Virtually all of them choose partnership taxation. The plan as outlined below only works for LLCs, LLPs and Partnerships that make the partnership election.

The Internal Revenue Code (IRC) sections governing partnership distributions is different from the one governing corporations. When a C or S-corporation distributes a life insurance policy to an employee, the corporation recognizes gain as if it sold the policy for its fair market value. When partnership taxation is involved, the general rule is one of deferral, i.e., no gain is recognized (IRC Sec. 731(b)).

The partner (or member) receiving the policy recognizes no gain (IRC Sec. 731(a)). Instead, any gain is recognized only if the partner (or member) surrenders, lapses or sells the policy.

In other words, the Partnership’s (or LLC’s or LLP’s) basis is transferred to the partner (or member), and the transfer has no tax consequences to either party.<sup>1</sup>

The partner’s (or member’s) basis in the policy cannot exceed the adjusted basis of his/her interest in the business (IRC Sec. 732(a)). Post-retirement cash flow activity by the partner (or member) typically involves policy loans which are not taxable events and do not affect basis, so the transferred policy’s basis is generally of no consequence unless it is surrendered, lapsed, or sold in a life settlement transaction.

There is no income tax due on the death proceeds of the life insurance. The foundation for this special treatment is IRC Sec. 101(a)(1). This statute provides that the proceeds of life insurance maturing as a death claim are exempt from federal income tax. This exemption applies to the full death benefit, including any cash value component whether loans exist or not.

Modern life insurance policies are designed to last until age 120 or the prior death of the insured. The avoidance of income tax entirely is the secret to the effectiveness of this planning. Let’s look at the steps that have to be followed:

- The Partnership, LLP, or LLC purchases life insurance on selected partners (or members) for needed buy-sell purposes. With some plans, the death benefit is exclusively allocated to indemnify the business against the loss of the member (or partner), although some arrangements use both strategies;



**Clay Lund**

Director Financial Institutions  
Insurance Designers of America /  
Elite Marketing  
Direct: 713.507.1016  
Fax: 713.507.1090  
Mobile: 281.798.5661  
[www.elitemktg.net](http://www.elitemktg.net)

- Maximum-funded cash value life insurance is paid for by the Partnership, LLP or LLC;
- No premiums are scheduled after retirement;
- Policy ownership is transferred to each partner (or member) by way of a K-1 distribution at retirement (or at a different date or event if agreeable to all parties to the transaction);
- Each partner (or member) uses secured policy loans in post-retirement years to produce tax free retirement cash flow;
- Each partner (or member) keeps the policy in force until death.

Make sense? If you want to find out more about this opportunity, give us a call and we can design a strategy for your situation.



**Great Western Final Expense**

The death of a loved one will undoubtedly bring hardship to survivors. Too frequently, the financial hardship compounds this already emotionally tough time. However, the financial loss can be minimized or eliminated altogether with adequate life insurance. A final expense policy can be used to cover not just funeral expenses, but also the expenses associated with estate settlement costs, medical bills and outstanding debts.

We are excited to announce the addition of Great Western Insurance Company as a new carrier. They offer one of the most competitive final expense products to our guaranteed and simplified issue portfolio. With a death benefit of up to \$40,000 in coverage, Great Western's maximum coverage limit is one of the highest available in the final expense market.

Please check out the highlights of Great Western's Assurance Plus (level benefits) and Guaranteed Assurance (graded benefits) below and call your Elite Life Director now for more information.



Charlie Archer

**Charlie Archer, CLU®, ChFC®**  
Managing Partner  
Elite Marketing Group  
Office 512.257.9700  
Direct 512.900.4574  
Mobile 713.557.2251  
Fax 512.257.9701  
[carcher@elitemktg.net](mailto:carcher@elitemktg.net)  
[www.elitemktg.net](http://www.elitemktg.net)



### It's Time for 2019 Open Enrollment

Advisors and Brokers: As we approach the end of 2018, now is the perfect time to start leveraging your opportunities and take advantage of the 2019 Open Enrollment Period. The group medical market is expanding at an increasing pace, and we are excited to help you grow and develop your personal book of business.

This is an important reminder that during Open Enrollment, the two main rules of group coverage are waived. This means that the employer is NOT responsible for any of the employees' premiums and the customary participation requirement of 75% is also waived.

This gives you an ideal opportunity to make your clients happy by ensuring them a better plan at an affordable rate.

Please do not hesitate to reach out if you have any questions, potential prospects, or are simply looking to diversify your book of business. We are more than happy to help!

Give us a call with any inquiries.

**Bryan Kelting**  
Director of Marketing, Small  
Group Benefits  
Call 713.507.1045  
bkelting@elitemktg.net  
[www.elitemktg.net](http://www.elitemktg.net)

### Meet Virginia Curl, In Her Own Words

I began my career in the insurance industry 37 years ago, in 1981, when I joined the Life New Business Department at Philadelphia Life. I have worked at several other insurance companies since then. In 2003, I joined Elite Marketing in the Special Risk Department.

When Special Risk was dissolved, I moved into my current position in the Health Department. I am a licensed life and health agent, and over the years, I've enjoyed getting to know our many agents and helping them work through the health industry maze.

I am a native Texan – born and raised in Houston. I try to spend as much as time with as possible with my two sons and four grandchildren. I also have two fur babies, Jack and Astro, who keep me busy at home. I enjoy going to movies, concerts, cooking and trying different types of food, as well as playing bingo and other games on my tablet and phone. I love watching sports, especially the World Series champions Astros! Every couple of years, I enjoy taking an excursion on a cruise ship. Next summer I will take my fourth cruise, sailing to the Western Caribbean for eight days.



**Virginia Curl**  
New Business Coordinator II - Health  
Elite Marketing Group  
Direct 713.507.1036  
Fax 713.574.2954  
vcurl@elitemktg.net  
[www.elitemktg.net](http://www.elitemktg.net)



## 6 Ways To Turn Mistakes Into Resolve

Regrets. We all have them. Some of us ignore them, while others wallow in them. Fewer learn and benefit from them.

Wouldn't it be great if you could benefit from your regrets and convert the negative emotions surrounding your missteps into positive emotions that fuel your success?

Here are six things you can do to achieve just that:

1. **It happened, so accept it.** Don't play "what if?" At this point it doesn't matter. The more you rehearse your regrets, the bigger your mistakes become.
2. **Deal with the emotional first and, as quickly as possible, let it go.** Why? Because if you don't deal with your emotions, the negative ones will continue to gnaw at you. Spend a few minutes going deep into the pain of the regret, and then loosen your grasp on it. Stop the negative from trickling in.
3. **Identify what you've learned.** No loss or setback should be wasted. If you don't find a lesson, you're likely to make the same mistake in the future.
4. **Decide what you won't do again.** Be clear on what to avoid. Pinpoint the biggest cause of your regret and, if you can't completely avoid it, be wary when you find yourself again in the same territory.
5. **Commit to a different and better course of action.** What's better than knowing what not to do? Knowing what to do instead.
6. **Let the disappointment freed you.** Disappointment is natural, but with the right attitude, it can be converted to resolve. Bring the same energy you formerly had about your regret and convert it into the positive energy of commitment and determination.

**Beymar Rozo**  
IT Director  
Elite Marketing Group  
Direct 713.507.1014  
Fax 713.507.1090  
brozo@elitemktg.net  
www.elitemktg.net