

ADVISING CLIENTS

Selling life insurance: Focus on needs to smash the stigma

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There's an inherent paradox in selling insurance. Despite its high-value proposition, the product carries a stigma that provokes purchasing resistance among prospects.

The “two most powerful financial words are *life insurance*, yet these two words are the least understood by the public and by our industry,” said eight-year MDRT member and Top of the Table qualifier **Emily Prendiville, CLU, ChFC**, in her 2015 MDRT Annual Meeting presentation.

“If we were to list all the benefits of life insurance and wrap them up in a different name, people would be knocking down our doors to buy it,” Prendiville said.

But clients aren't knocking down doors for life insurance, she said, because of a common disconnect. “People want the living benefits of life insurance; they just don't like what it is called.”

Reframing life insurance to reduce resistance

The solution, Prendiville proposed, is not a universal renaming of the asset but rather reframing the nature of the proposition to reduce resistance from prospects. And the key to that is to explain life insurance as a want rather than a need.

“As producers, often our challenge is to inspire people to look at life insurance differently,” she said. And whereas a “need” implies distinct restrictions — i.e., not spending more than you have to — a “want,” if clearly established, places no limit on contributions.

As a first step, Prendiville recommends that producers help dispel the myths the media has propagated. “All our lives, mainstream media have fed us information based on the agendas of financial institutions, Wall Street and the government,” she said, “which has nothing to do with you or your clients.” By placing her clients in control of their money, Prendiville provides them with the information necessary to justify a transition from wealth accumulation to tax-exempt cash flow.

Emphasizing tax-exempt benefits

Indeed, life insurance carries with it myriad tax-exempt benefits, including the following (benefits may vary depending on region):

- Tax-free death benefit
- Tax-free accumulation
- Tax-free distribution
- Tax-free transfer

As a result, a life insurance sales pitch that incorporates these benefits helps prospects develop a deeper understanding of the product’s value. “If we could build you an account where you could have liquidity, use and

control of your money completely off the radar screen of [taxing authorities], would you want to build it?" she asks hypothetically to prospects.

The answer, of course, is yes.

Prendiville said clients could borrow against a 10-pay whole life contract, for instance, retaining the principal that would otherwise go toward a financed purchase that incurs interest. She cites a client of hers who owns a small business as an example.

Looking at a case study

"Putting life insurance to work for this business owner, we built a plan where, over a 10-year period, he repositions his \$2 million at \$200,000 a year into a 10-pay life insurance plan. Now when he wants to purchase a garden center, he borrows the full \$900,000 against his life insurance, repaying the life insurance loan just as he planned, about \$100,000 a year for 10 years. Compare that to his original plan where he never fully recovered his wealth. In our example, the \$2 million in life insurance has grown to \$3 million and, yes, he also has a profitable garden center.

"Once you communicate how people can build an account where their wealth will never be taxed again, allowing them to never need a bank again, utilizing their money throughout their lifetime and never stopping the forward momentum, compounding growth of their money, they will ask you, 'How much can I put in?'" Prendiville said.

Read more in Prendiville's meeting presentation, "[Set the stage: Life insurance is not a need — it is a want.](#)" You can also read more ideas from Prendiville in "[Are you losing potential clients when they ask what you do for a living?](#)"

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