HOW A TRUST ADDS STRENGTH TO PLANNING FOR END OF LIFE EXPENSES

The challenges posed by expenses left behind after a client's death is a common one, and there is a terrific tool available to solve it — with coverage specifically designed to cover end of life expenses. But even with the purchase of a solid plan from a high-quality company, the client still has another important issue to consider: How does a person ensure that the life insurance proceeds received by his or her survivors are actually used for end of life expenses, and other wishes the insured may have for the proceeds, and not claimed by creditors or used in some other fashion?

One way to look at this problem is that many clients will clearly understand that they need coverage to pay for all of the expenses related to their funeral and burial, and they are specifically buying a policy to ensure that the money to pay for those expenses does not come from their survivors. Others, as will be made clear during the fact-finding process, will have additional expenses (loans and mortgages to pay, college savings plans to fund, charities and specific causes to which the insured would like to leave a legacy gift, etc.) that they will want the insurance proceeds to pay for after their death.

But if all of the life insurance proceeds go to a survivor or a number of survivors without clear direction on how they are to be used, how the money is used will be up to the discretion of those beneficiaries. In addition, if the beneficiaries inherit money and they owe creditors, those creditors will almost certainly try to collect from the inheritance. Clearly, the life insurance proceeds are vulnerable to all kinds of uses that were not what the final expense insurance buyer originally intended, and for many people that's a problem they would like to solve.

The advisor is the person to help them solve it, and the solution starts with getting to know the client and his or her financial situation and intentions. A clear understanding of what the insured's survivors' lives will look like after the insured's death is essential, as well as his or her desires for their lives. If the client expresses the need and desire to protect the vulnerable life insurance proceeds for any reason so that they are used for final expenses and specific issues that the client identifies, a trust is a great tool to use to accomplish that job.

Great Ways to Introduce the Trust into the End of Life Planning Discussion

"Mr. Client, we've developed a great plan, I think, to provide the money your survivors will need to cover final expenses after your passing, and to pass along a legacy gift to your most-favored charity. Now let's talk about how to ensure that your plan is carried out through a trust."

"Somehow people have come to believe that only the very wealthy can benefit from a trust. Let me show you why and how that is not true."

"I know from our earlier discussions that you have worked hard to provide for your family, and I know you want to make sure that you take all the proper steps to alleviate the financial burdens of final expenses and to make sure that your family's financial life stays on track after you're gone. Can I show you how a trust will help ensure that actually happens?"

**Some states may vary on Medicaid rules and eligibility is not guaranteed; please consult an Elder Law Attorney in your state for assistance.*

In brief, a trust is a vehicle that the client can establish so that the life insurance proceeds are set aside and owned by the trust itself. The trust is managed by a trustee, and if that trustee has been given specific directions by the insured through the trust document, the trustee will manage those assets specifically as the insured directed. All kinds of legal protections of the proceeds are inherent in the trust, most importantly because the proceeds are owned by the trust and not by individual beneficiaries.

No doubt, some of the people the advisor will call on may not know anything about trusts and how they can help some this problem. In fact, many clients will assume that only a much wealthier person would ever need a trust. The trusted advisor is the person who can break through those unfounded assumptions, however, and illustrate how the trust can accomplish what the buyer needs to accomplish. A great way to do that is to show how vulnerable those insurance proceeds are after the insured's death, and talk about how the trust can eliminate that vulnerability and make sure that what the client wants to happen after his or her death actually happens.

With NGL's AssetGuard, clients have a choice of two different trust options. These trusts are offered at no cost to the client, with no trust fees, and can be used in addition to any other trusts the client may have. With the NGL Funeral Expense Trust, for plans with face amounts from $2,500 to $15,000, the funds may be protected from Medicaid* spend down, and the trust pays funeral costs, with any excess going to the insured's estate. With the second option, the NGL Estate Planning Trust, for plans with face amounts from $2,500 to $100,000, funds are excluded from Medicaid spend-down after five years. In addition, the NGL Estate Planning Trust will pay the funeral costs with any remaining funds going to a named beneficiary or the insured's estate, making it an ideal plan for those who want to leave a financial legacy gift to a favored charity. In both cases, the trust itself is the policy owner and the beneficiary. In addition, the trust is irrevocable and therefore has restrictions that the advisor absolutely must discuss with the client.

No doubt some clients will be skeptical that a trust can actually help them. For some consumers, trusts and estates are very mysterious high-level financial instruments that they've always associated with the very wealthy, not with themselves. In fact, some advisors may feel the same way and thus feel uncomfortable discussing trusts with their clients.

But that's a hurdle that the smart advisor will get past. One doesn't need to be an attorney to understand the way that trusts work in conjunction with final expense plans to protect the insurance proceeds and thus better protect the plan and ensure that the insured's wishes will be carried out. Quite simply, the advisor who has his or her client's needs and wishes in mind will suggest and explain trusts to those clients who will benefit from them.