



## 'Tis the Season: A Gift of Stability... A Living/Legacy Plan



Candice Faith, CLU, ChFC  
Assistant Vice President  
Marketing

**T**is the season when our thoughts tend to be occupied by our family and the future. We are looking for that perfect gift that demonstrates how much we care. We are making New Year's resolutions hoping to improve our habits in the coming year. These resolutions are often focused on our physical health . . . better food choices, regular exercise, more rest. Many of us include our financial health on the list . . . save more, spend less, create a budget.

A long and healthy life is worth making the necessary changes. A long and healthy life is even better if you've planned for financial stability and included a contingency plan. Your plan can include investments in mutual funds, real estate, a stock portfolio, etc. Of course, for most of us, it takes years to accumulate enough assets to last throughout our retirement years. And what about those contingencies that can diminish or destroy our earning capabilities . . . an unexpected chronic illness or even a premature death?

Let's look at an option that can help. Our client has an eight-year-old child. She is concerned about her own retirement years and about helping her child with college expenses. She is saving money in her retirement plan at


work and making an annual contribution to a 529 Plan for college savings. She has some stocks she inherited and is purchasing her home. But will this be enough, and what happens if her accumulation plan is cut short?

Life insurance is the obvious answer. A better answer is permanent life insurance. Like term life insurance, permanent life insurance can provide the death benefit that will help protect our client's plan for her child's college education and future. An additional advantage is that the cash values can help provide that extra cushion of cash for college expenses and for our client's retirement. Please refer to the sample illustration at the right.


Let's suppose our client uses the funds she was putting into the 529 Plan to fund a permanent life insurance policy. In 10 years, when our client's child is ready for college, she can borrow \$10,000 from her policy each year for four years to assist with tuition, etc. (See the **Annual Loan** column.) She should repay the loans as she would have to do with any other lending institution. (See the **Loan Repayment** column.) This allows the policy to rebuild cash value for her retirement at age 70. (See Age 70 in the **Total Surrender Value** column.)

One of the benefits of the loan from the policy is that under current rules, **the cash value in the policy is not included in the financial aid qualification calculation.** The funds in a 529 Plan are included and may ultimately reduce the amount of financial aid available to the student.

At our client's retirement, she can use a combination of income tax-free\* withdrawals and loans to add to and enhance her other retirement income resources including her social security benefits.



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INSURANCE COMPANY OF NEW YORK  
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**A Life Insurance Illustration**  
Whole Life Insurance  
Policy Form 2104

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Designed for:  
Mrs. Parent - Female Age 32 Preferred Nonsmoker

Total Initial Death Benefit: \$334,906  
Base Policy: \$233,636  
Level Term Rider: \$100,000  
Paid-Up Additions Rider: \$1,270

Total Initial Premium: \$400  
Premium Mode: EFT Monthly  
Riders Included: PUAR, LTR, LBR, CIBR  
Initial Dividend Option: PUA

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**ALTERNATIVE SCENARIO TABULAR DETAIL**  
Dividends Based on 2014 Dividend Scale

NON-GUARANTEED													
Att. Age	Yr	Contract Premium	PUA Surrendered	Annual Loan	Premium Outlay	Annual Loan Interest	Loan Repayment	Total Loan	Annual Dividend	PUA Surrender Value	Total Surrender Value	PUA Death Benefit	Total Death Benefit
33	1	4,800	0	0	4,800	0	0	0	12	2,532	2,544	14,991	348,639
34	2	4,800	0	0	4,800	0	0	0	30	5,196	5,226	29,684	363,350
35	3	4,800	0	0	4,800	0	0	0	61	7,974	8,902	43,971	377,668
36	4	4,800	0	0	4,800	0	0	0	100	10,883	13,749	57,930	391,666
37	5	4,800	0	0	4,800	0	0	0	168	13,936	18,828	71,616	405,421
38	6	4,800	0	0	4,800	0	0	0	231	17,167	24,902	85,178	419,045
39	7	4,800	0	0	4,800	0	0	0	262	20,578	31,220	98,586	432,483
40	8	4,800	0	0	4,800	0	0	0	318	24,141	37,816	111,678	445,631
41	9	4,800	0	0	4,800	0	0	0	414	27,888	44,733	124,578	458,628
42	10	4,800	0	0	4,800	0	0	0	523	31,867	51,999	137,463	471,623
43	11	4,769	0	10,000	-5,231	500	0	10,500	668	36,097	48,190	150,381	374,185
44	12	4,769	0	10,500	-5,231	1,025	0	21,525	804	40,623	44,207	163,460	376,375
45	13	4,769	0	11,025	-5,231	1,576	0	33,101	944	45,442	40,038	176,638	378,117
46	14	4,769	0	11,576	-5,231	2,155	0	45,256	1,105	50,567	35,683	189,915	379,400
47	15	4,769	0	2,155	4,769	2,263	0	47,519	1,315	56,027	41,670	203,349	390,782
48	16	4,769	0	2,263	9,969	2,116	5,200	44,435	1,568	61,877	53,503	217,096	407,865
49	17	4,734	0	2,116	9,934	1,962	5,200	41,197	1,790	68,137	65,934	231,160	425,389
50	18	4,658	0	1,962	9,858	1,800	5,200	37,797	2,072	74,745	79,001	245,276	443,188
51	19	4,581	0	1,800	9,781	1,630	5,200	34,227	2,343	81,769	92,702	259,626	461,379
52	20	4,502	0	1,630	9,702	1,451	5,200	30,478	2,626	89,201	107,070	274,145	479,929
53	21	4,421	0	1,451	9,621	1,264	5,200	26,542	2,829	97,058	122,024	288,838	498,762
54	22	4,421	0	1,264	9,621	1,067	5,200	22,409	3,075	105,338	137,698	303,672	517,974
55	23	4,421	0	1,067	9,621	860	5,200	18,069	3,315	114,094	154,104	318,750	537,632
56	24	4,421	0	860	9,621	643	5,200	13,513	3,540	123,329	171,247	334,036	557,699
57	25	4,421	0	643	9,621	416	5,200	8,728	3,766	133,030	189,136	349,464	578,138
58	26	4,421	0	416	9,621	176	5,200	3,705	3,983	143,206	207,783	365,023	598,938
59	27	4,421	0	176	8,125	0	3,705	0	4,203	153,854	225,636	380,676	618,515
60	28	4,421	0	0	4,421	0	0	0	4,462	164,992	240,374	396,414	634,513
61	29	4,079	0	0	4,079	0	0	0	4,745	176,349	255,416	411,568	649,949
62	30	3,714	0	0	3,714	0	0	0	5,334	187,926	271,044	426,165	665,135
63	31	3,619	0	0	3,619	0	0	0	5,638	200,290	287,235	441,488	680,762
64	32	3,536	0	0	3,536	0	0	0	6,009	213,182	304,083	456,884	696,529
65	33	3,448	0	0	3,448	0	0	0	6,425	226,671	321,634	472,477	712,538
66	34	3,356	0	0	3,356	0	0	0	6,848	240,806	339,898	488,332	728,815
67	35	3,264	0	0	3,264	0	0	0	7,306	255,596	358,910	504,443	745,385
68	36	3,169	0	0	3,169	0	0	0	7,731	271,085	378,640	520,857	762,224
69	37	3,070	0	0	3,070	0	0	0	8,163	287,228	399,079	537,478	779,277
70	38	2,973	0	0	2,973	0	0	0	8,605	304,039	420,242	554,309	796,550
71	39	2,905	2,005	0	0	*	0	0	9,016	318,709	439,275	566,342	808,994
72	40	2,905	2,005	0	0	*	0	0	9,486	334,031	459,045	578,800	821,922

**NON-GUARANTEED VALUES** - These benefits and values are not guaranteed. The assumptions on which they are based are subject to change by the Company. Actual results may be more or less favorable than those shown.

\*Premium Offset - See Narrative Summary for Important Additional Information.

This illustration is not valid without all pages. This is not a policy or an offer to contract and the descriptions of the policy are in summary form.

The Customizer WL Flex with the Chronic Illness Benefit Rider also permits acceleration of the death benefit if the client develops a chronic illness and becomes dependent on others for her care.

This plan is a gift of stability offering a legacy benefit for the client's child and living protection for life's contingencies. As a Security Mutual life insurance advisor, you can help create a gift of stability for your clients.

\*Tax laws are complex and subject to change. The information presented is based on current interpretation of the laws.

Loans from the policy will reduce the death benefit and cash surrender value and may cause the policy to lapse. Lapse of a policy with a loan may have tax consequences.

Product availability and features may vary by state. Consult SecurityLink for state availability.

For agent use only. Not to be used in soliciting sales from the public. Non-guaranteed policy values reflect the 2014 dividend scale. Dividends are not guaranteed and may be changed by the Company, depending on experience. Values may be higher or lower than those indicated.

Policy Form Nos.: Customizer WL Flex—2104-NY; ICC09-2014; Series 2104. CIBR—IO-9334-NY; IO-9335-NY; ICC12-IO9334; ICC12-IO9335



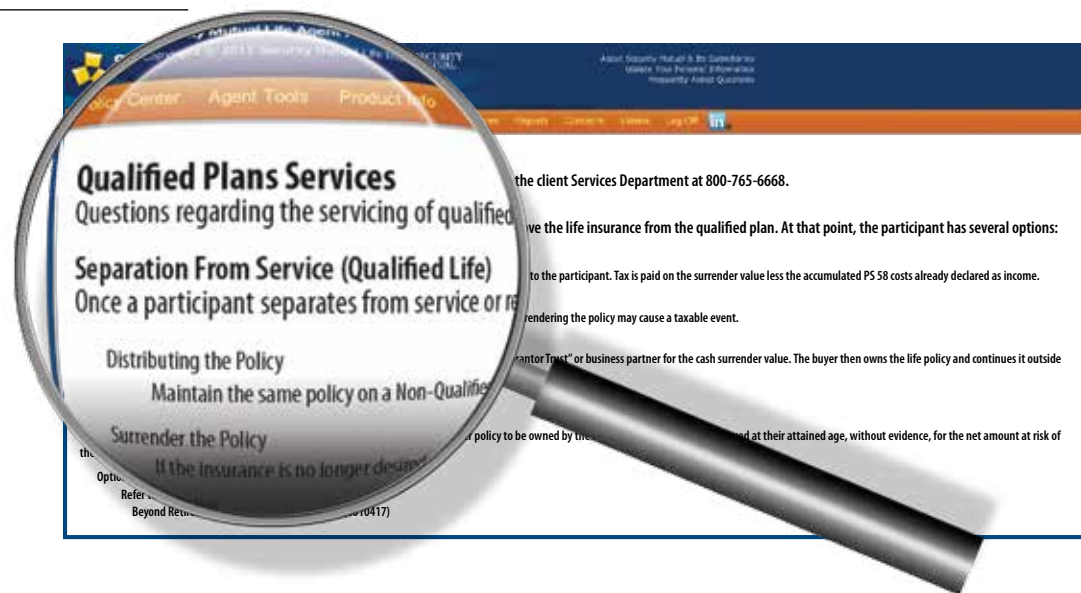
## Contract Change Team



Brian Clifford  
Assistant Vice President, Operations  
Individual Client Services



Sara Shaw, ACS  
Manager  
Individual Client Services



In the previous issue of *Marketing Update*, we focused on the Call Center Operations of the Individual Client Services area. In this issue we are going to focus on our Contract Change Team. We are proud that our Field Associates are able to contact any member of our team directly with any questions or concerns they may have.

### Contract Change Team Operations

The Contract Change Team is headed up by Sara Shaw and has a total of four employees. Each team member must possess the skills and expertise to process change requests within time standards while adhering to contract and corporate guidelines.

Management expectations are that 95 percent of work coming into the Contract Change Team be completed within established time standards; this team processes 98 percent of its work within the established time standards.

The team has processed approximately 7,000 transactions thus far in 2013, including all contract changes

and policy rejections. They also assist in overflow from the Call Center.

The members of the team are well-seasoned employees and must understand the inner workings of all contracts—new and old—in order to process complex contract changes. The total training period for a member of this team can take well over three years.

### Policy Rejections

Three years ago a decision was made to move policy rejections to the Contract Change Unit in an effort to expand the number of employees who process them. We are happy to report that we now have more than five employees who are capable of processing simple and complex policy rejections. The unit processes an average of 650 rejections monthly.

### Other Team Functions

Other processes performed by the Contract Change Team include:

- Policy Splits
- Addition of Riders
- Exercising of Riders

- Face Amount Reductions and Increases
- Classification Changes
- Rating Reductions
- Reduced Paid-Up Insurance
- Absolute Assignments
- Collateral Assignments
- Release of Assignments
- Beneficiary Changes
- Reinstatements
- Contract Change Quotes

The team is challenged to acquire diverse knowledge of virtually all aspects of policy provisions and contract changes.

### SecurityLink Web Portal

Several years ago, the Contract Change Team successfully created a portal for non-qualified and qualified policy service forms within the ICS tab.

The agent chooses the state and type of transaction. Complete instructions and required forms will then populate the screen. This gives agents a valuable tool to service their clients' needs

24 hours a day, 7 days a week. The team is responsible for maintaining this area of the portal.

### General Calls and Questions

The team receives many calls throughout the day from our Field Associates with questions regarding non-qualified transactions to qualified transactions, such as net amount at risk exchanges, qualified asset transfers and separation from service.

Contract Change Team members can be reached by calling customer service at 1-800-765-6668 and advising a Call Center representative what assistance you require. The Call Center representative will then transfer you to the appropriate person on the Contract Change Team.

As always, please be prepared to confirm your identity in order to keep all customers' information safe and secure.



## Lynn M. Kuda Joins Security Mutual Life



Lynn Kuda, ACS  
Advanced Underwriter

We are pleased to announce that effective October 21, 2013, Lynn Kuda, ACS, has joined Security Mutual as Advanced Underwriter.

Lynn has nearly 20 years of underwriting experience. She has extensive expertise in both Underwriting and Claims, having worked with several major

insurers, including MetLife and Aviva. In addition, Lynn comes to us with strong established relationships with many of our agencies.

Lynn earned a B.A. degree in music from the University of Bridgeport, Bridgeport, Connecticut. Her interests include long distance bicycling, running and reading.

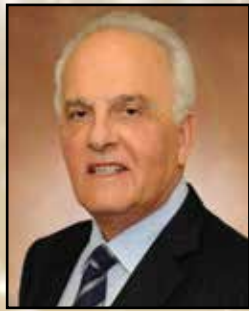
Lynn has served our country for 24 years as a member of the U.S. Armed Forces. Please join us in welcoming Lynn Kuda to the Company.



# MONTHLY INDIVIDUAL PREMIUM LEADERS

## ORDINARY LIFE

SEPTEMBER



**Murray Slimowitz**  
Slimowitz, DePhillips & Associates, Inc.  
Great Neck, New York



OCTOBER



**Lawrence J. Holzberg**  
American Business & Professional Program, Inc.  
Great Neck, New York

### Paul B. (Pete) Pheffer Joins Security Mutual Life



Paul B. (Pete) Pheffer, MBA, CPA  
Executive Vice President &  
Chief Financial Officer

Kevin J. McKeown, Senior Vice President & Chief Financial Officer, has announced his retirement effective April 18, 2014. In anticipation of his impending retirement, the Board of Directors has named Paul B. (Pete) Pheffer, MBA, CPA, as Executive Vice President & Chief Financial Officer effective November 25, 2013.

Pete had recently been serving as a consultant to Security Mutual and brings to our Company 30-plus years of life insurance industry experience.

Prior to joining Security Mutual, Pete was Chief Financial Officer for Presidential Life Insurance Company (Nyack, New York). His career includes having served as Chief Financial Officer for Missouri Employers Mutual Insurance Co., Kemper Life Insurance Companies, Jackson National Life Insurance Companies and Standard Management Corporation. Pete has an MBA from the University of Chicago and is a CPA.

Pete's mutual and public company experience, extensive insurance industry knowledge and talent for driving long-term organizational performance will further enhance our capabilities toward delivering on our long-term commitment to policyholders.



### 2014 Commission Schedules and Company Events

#### January

14 Commission Close  
30 Commission Close

#### February

13 Commission Close  
17 President's Day –  
Company Closed  
27 Commission Close

#### March

30-April 3 President's Cabinet –  
New Orleans  
13 Commission Close  
28 Commission Close

#### April

14 Commission Close  
18 Good Friday –  
Company Closed  
29 Commission Close

#### May

14 Commission Close  
26 Memorial Day –  
Company Closed  
29 Commission Close

#### June

12 Commission Close  
27 Commission Close

#### July

4 Independence Day Holiday –  
Company Closed  
14 Commission Close  
30 Commission Close

#### August

13 Commission Close  
28 Commission Close

#### September

1 Labor Day – Company Closed  
9-11 Advanced Marketing Seminar  
12 Commission Close  
29 Commission Close

#### October

14 Commission Close  
30 Commission Close

#### November

13 Commission Close  
25 Commission Close  
27-28 Thanksgiving Holiday –  
Company Closed

#### December

12 Commission Close  
24-26 Christmas Holiday –  
Company Closed  
30 Commission Close

# MDRT Certification and Regulation Rules



Sean O'Neill  
Director  
Agency Operations

In addition, the MDRT requires that a membership application form be submitted each year, even for Lifetime Members.

**Please Note:** If you wish to be listed as an approved 2014 member for Security Mutual Life Insurance Company of New York, you must indicate that Security Mutual is your primary company. MDRT reports the company affiliation that the applicant indicates on the membership application.

## Multiple Affiliations

Since many individuals represent more than one company, sometimes they do not indicate a primary company affiliation. If a primary company is not listed, the applicant is considered an "independent."

To be published by Security Mutual as one of our qualifying members, remember to:

1. Submit your membership form with your completed certifying letter.
2. Note that Security Mutual Life is your primary company.

## Top of the Table and Court of the Table

We have had a number of questions concerning Top of the Table (qualification of \$546,000 in first-year commissions) and Court of the Table (qualification of \$273,000 or three times the individual production).

Top of the Table governing rules prohibit MDRT from notifying companies directly. Therefore, you will be notified in writing by MDRT if you have qualified for Top or Court of the Table, and you must submit a copy of that letter to Security Mutual to be recognized as such in our publications.

**Please Note:** To be recognized as a Top of the Table producer, the applicant must submit \$550 dues in



addition to the required \$550 dues all MDRT members pay. Court of the Table qualifiers are required to pay an additional \$50.

The MDRT annual meeting will be held June 8-11, 2014, in Toronto, Canada.

The Top of the Table annual meeting will be held in San Francisco, California, September 17-20, 2014.



# IRS Announces 2014 Retirement Plan Limits

In News Release IR-2013-87 (October 31, 2013), the IRS released the new limits on benefits and contributions for retirement plans. Due to cost of living adjustments for 2014, some limits have increased from 2013. Current limits and historical context are provided below.



Type of Limitation	2014	2013	2012	2011	2010	2009
<b>401(k) and 403(b) Elective Deferrals</b> (not including adjustments and catch-ups)	\$ 17,500	\$ 17,500	17,000	\$ 16,500	\$ 16,500	\$ 16,500
<b>457 Plan Limits</b> (not including catch-ups)	17,500	17,500	17,000	16,500	16,500	16,500
<b>Catch-Up Deferrals to 401(k), 403(b), 457(b), or SARSEP Plans</b>	5,500	5,500	5,500	5,500	5,500	5,500
<b>Annual Defined Benefit Plan</b> (age 62 with 10+ yrs. of plan participation)	210,000	205,000	200,000	195,000	195,000	195,000
<b>Defined Contribution Plan</b> (to include SEP-IRA)	52,000	51,000	50,000	49,000	49,000	49,000
<b>Annual Compensation Limit</b> (maximum considered compensation)	260,000	255,000	250,000	245,000	245,000	245,000
<b>Highly Compensated Employee</b> (earned in the prior year)	115,000	115,000	115,000	110,000	110,000	110,000
<b>SIMPLE Retirement Accounts</b> (SIMPLE-IRA and SIMPLE 401(k) Plans)	12,000	12,000	11,500	11,500	11,500	11,500
<b>Catch-Up Deferrals to Simple IRA Plan</b>	2,500	2,500	2,500	2,500	2,500	2,500
<b>Social Security Wage Base</b>	117,000	113,700	110,100	106,800	106,800	106,800

For Specialty Retirement Plan design and sales support, call:

*Armando Testani at 800-346-7171*

If in the New York Metro area, call:

*Richard Novak at 800-293-6292*

Advisors and SAI Clients may call:  
*877-724-2464*

Visit: [www.SMLplans.com](http://www.SMLplans.com) for comprehensive support and resources 24/7.

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**SAI**  
SECURITY ADMINISTRATORS, INC.



# 2013 Million Dollar Round Table

We are proud to recognize the 2013 Security Mutual Million Dollar Round Table qualifiers. Attainment of this designation further exemplifies a Field Associate's dedication to clients and professionalism of actions, and substantiates the knowledge and expertise that is required in the financial-planning field.

We would like to congratulate all of these individuals on their outstanding work and for designating Security Mutual as their primary company.



*Neil J. Brown  
Sumco Systems, Inc.  
Life Member*



*Cary J. Cowan, CLU, ChFC  
Cowan Financial Group, Inc.  
Life Member*



*Philip D. Growick, RHU, CIC  
PG Life Planning Associates, Inc.  
Qualifying Life Member  
Court of the Table*



*Donald M. Kohnstamm, CLU, ChFC  
Desmon & Kohnstamm, Inc.  
Qualifying Life Member*



*Alan L. Kranitz, CLU, ChFC  
A. Kranitz Associates, Inc.  
Life Member*



*William A. Magnusson, CLU, CFP  
Berkshire Advisor Resource, LLC  
Court of the Table  
Qualifying Life Member*



*M. Vincent Mezzetti, CLU  
Mezzetti Enterprises, LLC  
Life Member*



*Neal K. Miller  
Dan Ross Associates, Inc.  
Court of the Table  
Qualifying Life Member*



*Alan R. Mollot, CLU, ChFC, CFP  
Mollot & Hardy, Inc.  
Life Member*



*George F. Poppe, III  
The Poppe Agency  
Life Member*



*Pete Schill  
R.H. Schill & Associates, Ltd.  
Qualifying Life Member*



*John C. Schmitt  
Schmitt-Sussman Enterprises, Inc.  
Top of the Table  
Court of the Table  
Qualifying Life Member*



*Charles J. Stepnowski  
Employee Family Protection, Inc.  
Court of the Table  
Qualifying Life Member*



*Stanley H. Sussman, CLU  
Schmitt-Sussman Enterprises, Inc.  
Top of the Table  
Court of the Table  
Qualifying Life Member*



*James J. Tyrpak, CLU, ChFC, MSFS  
Tyrpak Financial Associates, Inc.  
Qualifying Life Member*

*Frank T. Rapini, LUTCF  
Curt A Simonsen  
Qualifying Life Member  
Court of the Table*

*(No photo available)*



# MONTHLY INDIVIDUAL PREMIUM LEADERS

## WORKSITE

• SEPTEMBER •



**Rita Perez**

*National Allotment Insurance Agency, Inc.  
Brooklyn, New York*



• OCTOBER •



**Yvonne LeCointe-Brown**

*National Allotment Insurance Agency, Inc.  
Brooklyn, New York*

## Partnership Awards—Third Quarter 2013

The Partnership Recognition Program provides a means for employees, managers, agents and policyowners to recognize Security Mutual employees for their superior commitment to quality and say thank you for a job well done. Each quarter, employees who have been recognized will receive a gift certificate for a free lunch, gas card or movie card, and will be entered into a drawing for a gift certificate to an establishment of his or her choice.

*Take a moment to congratulate the following employees who recently received a Partnership Award:*



**Actuarial**

Tim Davis

**Agency Administration**

Consiglia Farzad

Dolly Fox

**Benefits Division**

Danielle Alfonsetti

Jennifer Bebla

Caitlyn Bowell (2)

Kati Cline

Caitlin Costello

**Building Services**

Levern Jackson

**Controllers**

Ronna Best

Melanie Ross

**Human Resources**

Brenda Doll

**Individual Client Services**

Eugenia Brady

Virgil Chastine

Debra Goldstein (3)

Susan Robinson

Angela Schwartz

**Marketing**

Tracey Leslie

**New Business**

Chris Cusano

**Systems Services**

David Fish

Brian Nytch

Justin Salisbury (3)

**Traditional**

**Worksite Marketing**

Kelly Mohney

**\$25 Gift Certificate Winner:** Levern Jackson



# Life Insurance in a Qualified Plan



Armando Testani  
Director  
Retirement & Business Markets

A wise man once told me, “Few people have a problem understanding the need for insurance, but nobody enjoys paying for it.” Do you have a client who has an existing pension plan or plans to install one soon? Would you like to offer life insurance to your client, but feel that the cost may drive your client away from the plan with life insurance? Well thankfully there is a way to “lessen” the pain of paying for life insurance—we call it “Qualified Life.”

What better way to get life insurance than by paying for it with pre-tax dollars? Using Security Mutual’s Pension Customizer WL or our Unisex UL portfolio, your client can obtain quality life insurance with a product that is specifically designed for pension plans.

Let’s say you’ve got a client, age 53, who wants to purchase \$200,000 of life insurance. The chart below will illustrate just how much less expensive it is in a qualified plan.

Pension Life		Non-Qualified
\$5,195	Premium	\$5,195
0	Income Taxes	3,739
-135	Initial Tax on P558	-0
<u>\$5,330</u>		<u>\$8,934</u>
Age 53, Preferred Non-Smoker, \$200,000 40 percent combined tax bracket		

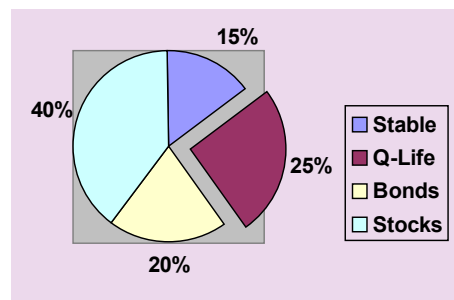
An added bonus is the availability of Security Mutual’s Easy Issue Application for life insurance contracts up to \$500,000. A nice feature is that there are no added premiums, loads or fees for the program. This makes the purchase of life insurance in a qualified plan easy for you and your client.

For more information on Security Mutual’s “Easy Issue” program, please refer to our “Build a Better Retirement Plan: Easy Issue Life Insurance” flyer (0011482XX).

## Q-Life as an Asset Class

Life insurance should be viewed by each participant as an asset, not as an expense. That’s because the cash values of whole and universal life can be a good choice for some of the client’s “safe money” allocation.

Once life insurance is viewed as an asset, selling cash value products becomes easier and more convenient. Once again, our Easy Issue program makes it even better.



## What Plans Can Have Life Insurance In Them?

All qualified plans (other than IRAs) are eligible for life insurance! Let’s take a look at the different types of plans and how life insurance can be added to each.

In **Defined Benefit Plans** we must remember that the life insurance is dictated by the plan formula. Just because a client may desire \$2 million of life insurance, doesn’t necessarily mean they can have it. The trustee (who is often the plan sponsor) determines whether the plan will include an “enhanced survivor benefit” (life insurance). This makes it one sale, to the trustee.

Whole Life and Universal Life are used in traditional defined benefit plans. A nice benefit of using the whole life in a 412(e)(3) plan is the addition of Security Mutual’s Flexible Premium Annuity Rider. With the FPA Rider, your client is able to lock into the current guaranteed rate for the life of the contract. Without the life insurance, your client cannot purchase the FPA Rider, but will instead have to purchase the Flexible Premium Annuity.

For more information on Defined Benefit and 412(e)(3) information, please visit our qualified plans website at [www.smplans.com](http://www.smplans.com).

In **Defined Contribution Plans**, participants will normally elect whether or not they will allocate some of their retirement funds to purchase life insurance. Remember that the life

premium must be less than 50 percent of the contribution for whole life or less than 25 percent of the contribution for universal life. Profit Sharing Plans may use “aged money” provisions that allow these basic limits to be surpassed. SAI’s prototype plans contain these provisions.

## How Can I Present These Concepts to My Clients?

Now that we’ve discussed some technical aspects, let’s get down to business and review how you can put all of this knowledge to work.

### SEP Approach

Simplified Employee Pension plans (SEP-IRAs). Yes, that’s right—SEP Plans. SEPs don’t allow life insurance as a benefit or investment, and that’s one of their downfalls. A bigger issue—at least for the business owner—is that all employee participants get the same thing (0 – 25 percent of pay).

Although total employer contributions can’t exceed 25 percent of “eligible payroll,” a profit sharing plan can often skew benefits to the owner (perhaps as high as 100 percent of pay or \$51,000), and life insurance can then be made a permitted investment.

We suggest that every client who has a SEP-IRA deserves a pension design study to see if we can improve the basic plan design and add a vesting schedule. Life insurance can then be easily introduced once the plan is established. Better yet, the SEP-IRA assets can now be “rolled over” to the new profit sharing plan and used without limit to buy life insurance because IRA rollovers are deemed “aged money.”

### Existing 401(k) Plans

A great idea when approaching clients is to ask these questions:

- “Do you have an existing 401(k) plan?”
- “Does the plan allow for self-direction?” (Of course, they all do).
- “Are you looking for better diversification under ERISA 404(c)?” (This suggests diversification of investments to minimize sponsor liability for the investment choices of each participant).

If the client answers “yes” to any of these questions, he or she may be a perfect candidate for qualified life insurance in the 401(k) plan. You can discuss the aspects of the life insurance

cash value as a viable asset class and a way to significantly increase the client’s income tax-free benefits to his or her heirs.

As mentioned earlier, SML’s “Easy Issue” application is a great tool by which to arrange for life insurance in a qualified plan. It’s easy and makes the process virtually painless.

## What To Do At Retirement?

Life insurance must be removed from the plan at retirement. However, unlike group insurance or other employer-provided benefits that may expire when your client retires, qualified life insurance may be continued. Options to continue coverage beyond retirement include those listed below. Please refer to form 0010417XX, “Beyond Retirement or Separation From Service” for further details.

### Distribute the Policy

The cash value from the policy would be taxed less the “PS 58” basis. This is similar to a “Split Dollar Rollout” strategy.

### Sell the Policy

The trustee can sell the policy for the fair market value to the participant or perhaps to a “Grantor Trust” or business partner. The buyer then owns the life policy and continues it outside the plan. There is no taxable event.

### Exchange the Policy

Security Mutual offers a unique provision that allows your clients to exchange the policy in their pension plan for a new contract outside that plan at a risk class that is substantially comparable to the class assigned to their original contract, regardless of their health at the time of the exchange.

## What Does This Mean for Me?

Qualified life allows you to provide life insurance for your clients, where appropriate. Your client will appreciate the “easy issue” as well as your expertise. For more information, visit our qualified plans website at [www.smplans.com](http://www.smplans.com).

If you’d like to see qualified life in action, please complete an SML Fact Finder (0010297XX) and fax it to us at 607-773-2007.



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## MARKETING UPDATE

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### Coming in 2014: The Best of Both Worlds

## Marketing Update and SML Digest Become SML Newslines!



We are pleased to announce that beginning in 2014, we will introduce a brand-new online news publication: **SML Newslines!** SML Newslines will combine the best features of *Marketing Update* (our bimonthly print publication) and *SML Digest* (our biweekly electronic news publication), resulting in these advantages for you:

- Same great educational and marketing articles that have been the hallmark of *Marketing Update* for 27 years.
- Responsive design for added convenience—view on your smart phone, tablet or other electronic device anytime, anywhere.

- Biweekly publication for timely information and quicker, easier reading.
- Electronic delivery for easier sharing with your brokers or other insurance professionals.

Effective with the introduction of *SML Newslines*, Security Mutual will discontinue publication of both *Marketing Update* and *SML Digest*. Over the 27 years that we have published *Marketing Update*, many of you have told us that it was one of the best company life insurance publications in the industry. And in the five years that we have been publishing *SML Digest*, many of you have let us know how

helpful it has been to share the content with other brokers and life insurance professionals. We appreciate your interest, suggestions and article contributions throughout the years we have published these newsletters.

A very special thank you to the editorial and production staff of both *Marketing Update* and *SML Digest*, and we are pleased to report that the same seasoned, professional group will be producing *SML Newslines* so we can deliver the same excellence you have come to expect.

*SML Newslines* will be delivered to your email address via Constant Contact. Therefore, if you have changed your email address, please be

sure to email your new address to Sean O'Neill at [soneill@smlny.com](mailto:soneill@smlny.com) so you don't miss a single issue of this exciting new publication.

**Please Note:** If you previously opted out of *SML Digest* but would like to receive *SML Newslines*, you will need to either provide a new email address, or re-sign up. If you have a new email address, please email it to Sean O'Neill at [soneill@smlny.com](mailto:soneill@smlny.com). If your email address has remained the same but you need to re-sign up, please email Eric Saar at [esaar@smlny.com](mailto:esaar@smlny.com) for instructions.

Watch for more details  
in January!

