



Fresh from the 53rd Heckerling Institute of Estate Planning, Boston's Seth Buckley, principal of Buckley Financial, a seasoned insurance advisory and one of AUM/Boston's Contributors sends a message of how and why financial and investment advisors should be working with other "Centers of Influence" (COIs).

AUM/Boston: Welcome back, Seth. How was it?

Buckley: Valuable, as always. It's a huge and very high-quality annual event. There were a few seminars of interest to me in learning more about estate planning and how I can help, but I attend just as much for the networking – reconnecting with many I've worked in partnership with and meeting new COIs I can work with in the future.

AUM/Boston: Aside from estate planning attorneys and insurance advisors like you, what COIs were there?

Buckley: Accountants, charitable giving and other asset managers, trust companies, art advisory firms, family office and other wealth management professionals. We all work together to serve ultra-high net worth clients. When you reach certain levels of wealth, the estate planning implications of life insurance in a sound financial plan are enormous.

AUM/Boston: How so?

Buckley: Well, for example, one of the companies with whom I reconnected at Heckerling, Waltham-based Ballentine Partners, is a long-time partner. Ballentine is unique and distinguishes themselves by taking a very holistic approach to their client's financial well-being. Insurance can be a significant portion of their client's legacy and needs to be integrated with the overall plan. Ballentine is overflowing with expertise in other areas, but when it comes to advanced insurance planning, they look to a select group of insurance professionals for guidance and support. This is important if a wealth manager takes their fiduciary responsibility seriously. It's also rare that wealth managers do it.

AUM/Boston: Rare?

Buckley: Extremely. Most RIAs and Family Offices don't have the in-house capability to perform an in-depth life insurance policy analysis and market study. A policy analysis with accompanying written commentary should be done annually for many policies, remembering that in most cases for HNW and UHNW clients, insurance plays an integral part in their overall asset allocation strategy. We dig deep comparing current performance to original design, conducting probability analysis and evaluating the rate of return, among other metrics.

80% of our business these days is analyzing and "fixing" in-force policies. To be fair, in most cases, the policies were solid when they were sold but no one has been monitoring the policies and recommending adjustments to keep them on track. In part due to the low-interest rate

environment, 70% of policies we review are significantly underperforming their original policy design.

AUM/Boston: What are your results?

Buckley: We recently examined a large (multi-million dollar) 2nd To Die policy that was in danger of lapsing. We increased the death benefit by over 50% while extending the projected length of coverage by over 30 years. In case you missed it, that increases the rate of return by 50% while providing additional safety to their portfolio.

We also investigate and recommend types and structures of insurance policies to meet specific needs we have identified. This can get us into areas your standard insurance agent can't handle. For example, we recently reviewed a client's life insurance portfolio that consisted of several policies with large loans that were in jeopardy of lapsing and creating an enormous tax bill. We were able to consolidate the policies, eliminate the loans, reduce the premiums and provide lifetime guarantees.

There are many ways to use insurance to increase and protect assets, and no end to the multiplicity of financial situations encountered by the UHNW. We understand them all.

AUM/Boston: Just who are these clients for whom advisors should be providing this servicing?

Buckley: At my prior firm, where I was for 4 years, many clients had a net worth in excess of \$100M but now, at Buckley Financial, we've taken that UHNW experience and service model down to include mere mortals: we don't have strict minimums and will engage with any client where we feel we can add value.

AUM/Boston: What should financial advisors look for in an Insurance Advisor?

Buckley: In addition to the prerequisite experience and expertise, a good insurance partner should; be independent and represent the top carriers – this is important not only for access to a greater variety of products, it also provides significant underwriting leverage which can be the largest determining factor in pricing; have a robust policy service/management system in place to monitor in-force policies; not sell investments – many life insurance professionals either manage investments themselves or have a person in the office next to them who sells investment products.

AUM/Boston: We see what the client gets out of it. What do the advisors get out of it?

Buckley: Goodwill. RIAs such as Ballentine Partners and Sandy Cove Advisors want a specialist who adds value to their client relationships and will the fiduciary responsibility of ongoing management.

AUM/Boston: Talk to us about compensation?

Buckley: We do a lot of fee-based work for trustees and family offices – so there's no question about the objectivity of our analysis and recommendations. If our analysis identifies potential marketplace improvements there's never any obligation to work through us. Buckley Financial is the only firm we know of that does that type of work and within that type of compensation structure.

There are some investment advisors who want to get paid for insurance business and for them we can agree to a revenue sharing arrangement if they are properly licensed and provide full disclosure to their clients.

SIDEBAR

Benefits for Investment Managers and Family Offices to Outsource an Insurance Advisory Function

- Liability – Your clients look to you as an expert and their primary advisor. Partnering with a qualified life insurance professional will help protect you from potential liability.
- Overhead – Qualified and experienced life insurance planning professionals are a significant expense.
- Ongoing Policy Service/Management – Life insurance is an asset class that requires active management. It is a mistake to think a policy likely to be in place for decades won't need monitoring and adjustments.
- Expertise – Advanced uses of life insurance require an expert team. Just as you are an expert in your field, partner with an insurance professional who is an expert in his/her field.
- Don't be the advisor that didn't discuss the subject

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