



**DISABILITY  
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*Protection for  
Retirement Plan Contributions*

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AA1077-G

# ***Retirement Protection Plus***

***Disability Income protection  
for your client's retirement plan***

***Disability Income products underwritten and issued by  
Berkshire Life Insurance Company of America, Pittsfield, MA***  
*a wholly owned subsidiary of The Guardian Life Insurance Company of America, New York, NY*

# *Retirement Planning – A critical issue for everyone*



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- ◆ Planning & saving for retirement is one of the most critical financial issues that we all face.
- ◆ But to complete even the best-laid plan and assure an adequate retirement income you must be able to work and contribute to the plan.



## *Your Retirement Plan is Vulnerable*

- ◆ Disability is a serious threat to your ability to earn a living...
- ◆ and to contribute to your retirement plan.

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## *If you are disabled, your retirement plan is too.*

- ◆ Contributions continue only as long you remain on the payroll.
- ◆ Group & individual DI replaces current income, but normally do not cover retirement plan contributions.
- ◆ If disabled all employee & employer contributions stop.

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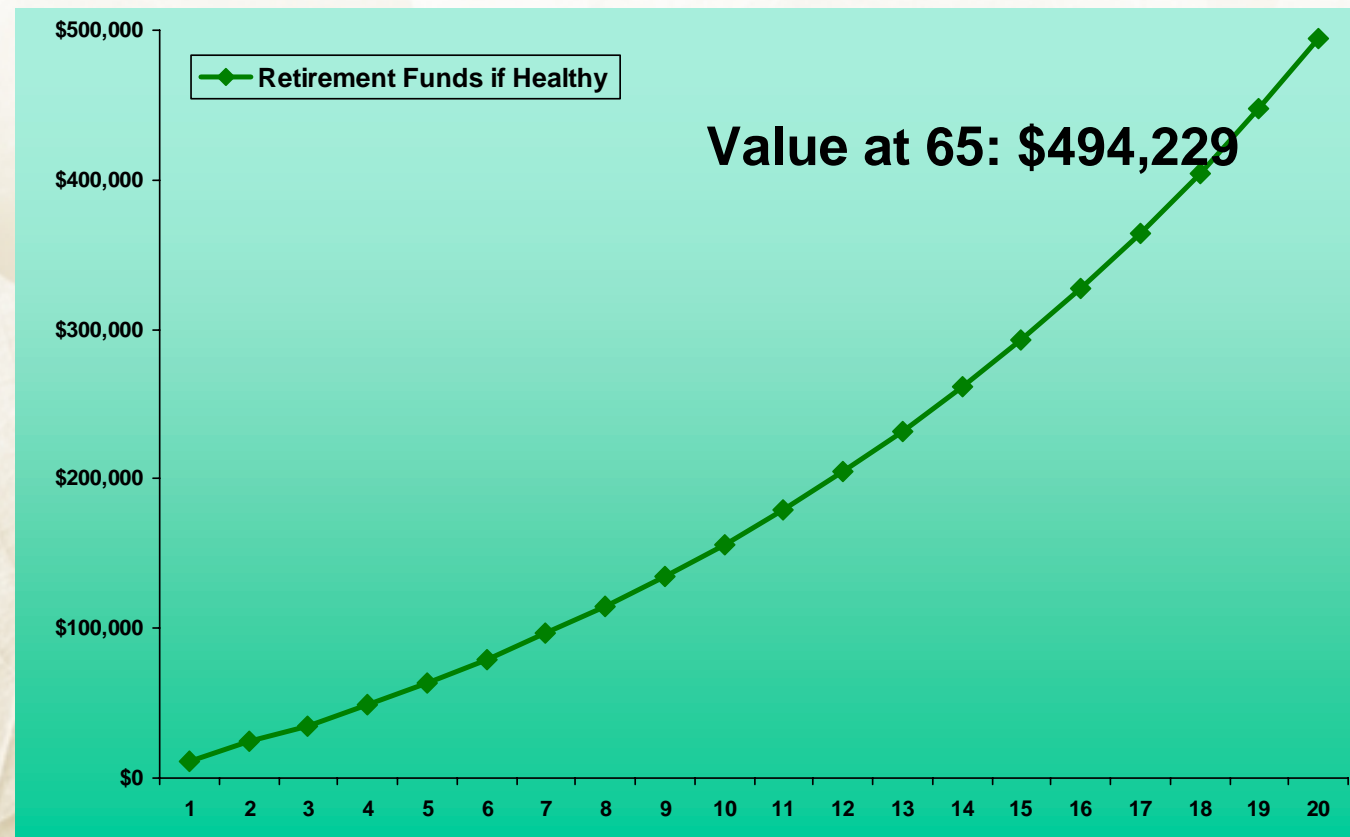
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## Example... Normal Retirement Savings

Individual age 45 works to age 65 and makes 20 annual payments of \$10,000 to a defined contribution plan.



*Assumes annual investment return of 8% compounded.*

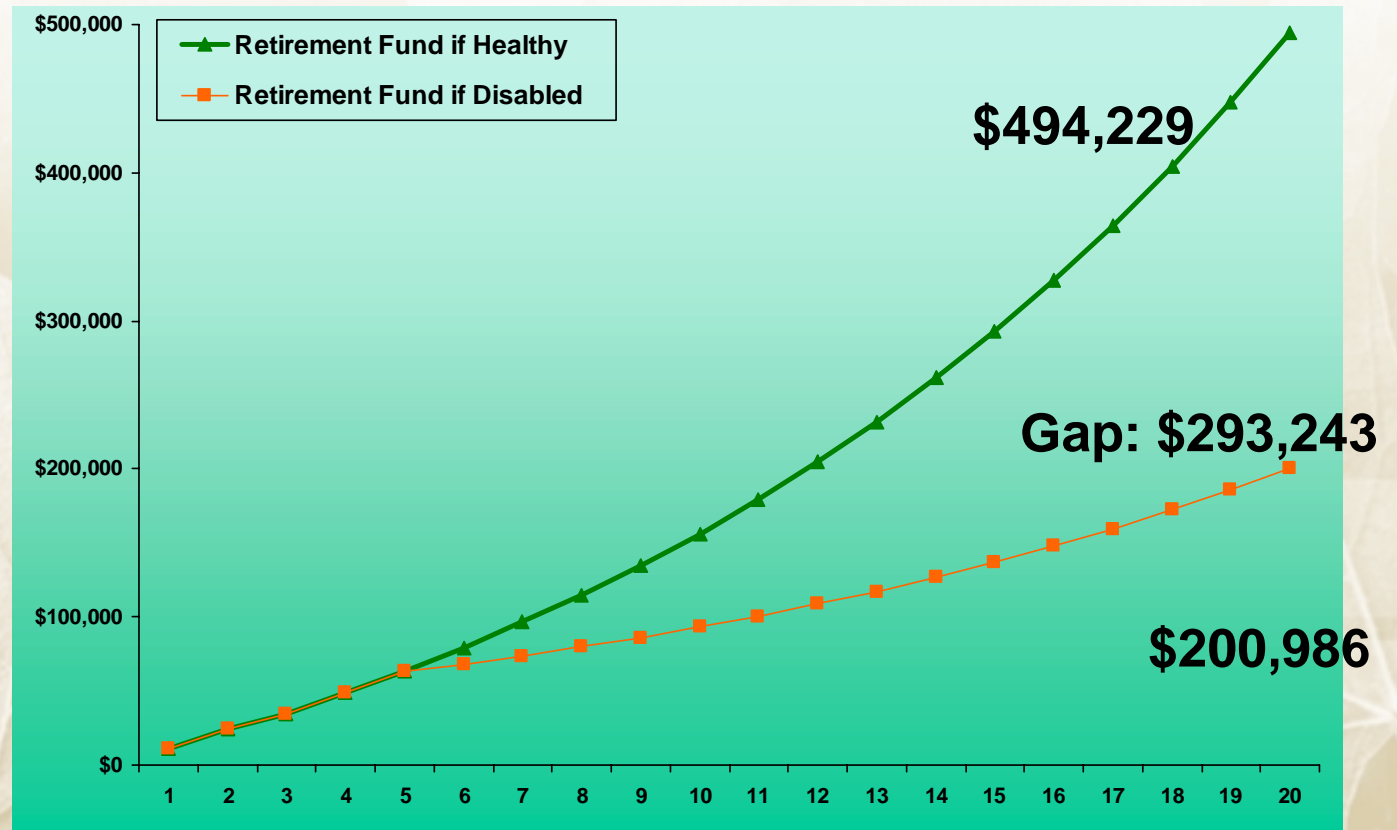


## Example...Disability at age 50

Individual age 45 makes 5 annual payments of \$10,000 to a defined contribution plan but is totally disabled at age 50.

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## What if disability isn't permanent?

- ◆ Even a shorter disability can mean dramatic loss of retirement plan value at age 65:

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<u>Disabled for...</u>	<u>Loss of Value at age 65*</u>
2 years	\$61,094
5 years	\$136,788

*\*Assumes disability occurs at age 50*

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## *Now there is a solution: Retirement Protection Plus*

- ◆ Helps to protect your retirement income in the event of a serious disability.
- ◆ Pays benefits to replace your lost retirement plan contributions.

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## *Retirement Protection Plus: What is it?*

- ◆ A way to use the ProVider Plus policy to protect your client's retirement plan
- ◆ May replace up to 100% of an employee's retirement plan contributions, plus employer's match
- ◆ Not another pension plan

# Retirement Protection Plus: How It Works



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- ◆ Benefits are paid directly into a trust.
- ◆ Trust assets are invested by Trustee solely for your client's benefit, consistent with his or her investment strategy.
- ◆ Trust assets are distributed at age 65, to help replace lost retirement savings.

# Retirement Protection Plus: How It Works



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- ◆ Coverage is fully underwritten but issued separately in addition to any other coverage...
- ◆ Over and above normal issue & participation limits
- ◆ Can be Employer-Pay or Individual-Pay



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## *RPP: Product Parameters...*

- ◆ Product: ProVider Plus\*
- ◆ Issue Ages: 18-60
- ◆ Elimination Periods: 6 mos. or 12 mos.
- ◆ Benefit Periods: To age 65, 5 years

*\*Issued and underwritten by Berkshire Life Insurance Company of America, a wholly owned subsidiary of The Guardian Life Insurance Company of America, New York, NY. Not all benefits available in all states.*



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## *RPP: Product Parameters...*

- ◆ Maximum benefit: \$3380 per month
  - accommodates 2002 maximum defined contribution limits of \$40,000
  - higher amounts may be considered
- ◆ Minimum issue amount
  - Individual issue: \$500 per mo.
  - \$200 per mo. if other individual Berkshire or Guardian coverage in force or applied for.
  - Multi-life cases: \$200 per mo.



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## *RPP: Product Parameters...*

- ◆ Benefit amount issued may include:
  - EE contribution
  - ER match
  - plus \$50 per month for trust
  - administration fee
- ◆ Available to Occ Classes 6, 5, 4, 4P, 3, 2
- ◆ Not available to government employees
- ◆ All current discounts apply
  - preferred risk, multi-policy, ER sponsored, association, list bill (NJ)



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## ***RPP: Riders Available***

- ◆ COLA (3% or 6%)
- ◆ Future Increase Option
  - total of base plus FIO cannot exceed \$3380
- ◆ No Residual Benefits or Lifetime
- ◆ If applicant has an in-force DI policy with lifetime, RPP considered only on case-by-case basis



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## *Eligible Retirement Plans...*

- ◆ Profit sharing plans
- ◆ Money purchase plans
- ◆ Simplified Employee Pensions (SEP)
- ◆ Employee Stock Ownership Plans (ESOP)
- ◆ 401(k), 403(b), SARSEP plans
- ◆ IRA's and Roth IRA's
- ◆ SIMPLE plans
- ◆ Keogh Plans
- ◆ Non-Qualified Deferred Comp Arrangements
  - considered only on a case-by-case basis

***Note: Plan must be in effect, and funded, for at least one year.***



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## ***Non-Eligible Retirement Plans...***

- ◆ Defined benefit plans
- ◆ Deferred Stock Option Plans
- ◆ Federal Employees Retirement System (FERS)
- ◆ Civil Service Retirement System (CSRS)
- ◆ Public Employees Retirement System (PERS)
- ◆ State Teachers Retirement System (STRS)
- ◆ SERPS (Supplemental Employee Retirement plans)

***Note: Retirement plans with a “waiver of premium” feature are not eligible***

# Underwriting Requirements and Guidelines...



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- ◆ Normal medical guidelines apply
- ◆ We will accept any medical
  - requirements completed for
  - insurance within the last 6 months.
- ◆ If fully underwritten disability income policy was issued in the last 6 months by Berkshire or Guardian, only a completed non-medical is required.

# Underwriting Requirements and Guidelines...



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- ◆ Issue limits:
  - Employee-paid premiums: 100% of current total employee & employer contributions
  - Employer-paid premiums: 133% of current total employee & employer contributions
- ◆ Amount applied for can equal amounts above, plus \$50 per monthly to cover the trust administrative fee.

# *Underwriting Requirements and Guidelines...*



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- ◆ If applicant has total in-force coverage that is above our current I & P limits, we will not count the first \$500 against the amount of RPP coverage that we will issue
- ◆ Amounts over the first \$500 will be subtracted from the amount of RPP that we will issue

# *Underwriting Requirements and Guidelines...*



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- ◆ Note: We will not issue RPP to those whose pension contributions have been fully insured.



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## *Application Requirements...*

- ◆ Same as for any other DI application
- ◆ Question 12 must indicate that a Retirement Protection Plus is being applied for. Indicate EE and ER contributions.
- ◆ Financial Supplement must be completed.
- ◆ One application can be used to apply for both an RPP policy and a non-RPP policy. (Request an additional policy in Question 12)



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## ***Financial Documentation Required...***

- ◆ Same as for any other DI application
  - If applicant owns a Berkshire or Guardian DI policy that was fully underwritten and issued within the past year, original financial documentation may be used.
  - For GSI or GTI multi-life cases an electronic census providing current EE & ER contributions will satisfy the financial documentation requirement.
  - In all cases a copy of the retirement plan document or summary is required.



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## ***Financial Documentation Required...***

- ◆ Non-Owner employee: Pay stub with YTD earnings
- ◆ Sole Proprietor: 1040 (all schedules)
- ◆ Partnership: 1040 & 1065 (all schedules), 1065
- ◆ S- Corp owner: 1040 & 1120S (all schedules), W-2
- ◆ C-Corp owner: 1040 & 1120 (all schedules), W-2
- ◆ LLC or LLP: 1040 & 1065 or 1120 (all schedules), W-2



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## *Other Documents & Forms*

- ◆ Irrevocable Assignment of Right to Receive Benefits
  - assigns policy benefits to Berkshire Bank, which will be the Trustee
- ◆ Authorization for Exchange of Information
  - between Berkshire Life & Berkshire Bank as Trustee
- ◆ Both forms must be signed and submitted with the application



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## *Other Documents & Forms*

- ◆ Disclosure Statement
  - covers tax issues & trust administrative fees
  - the client must be given this at time of application
- ◆ Declaration of Trust
  - you may give the applicant a sample Declaration of Trust
- ◆ The actual Declaration of Trust & required Statement of Statutory Optional Fiduciary Powers will be sent to the client by the Trustee once the policy is issued.



## Other Documents & Forms

- ◆ Contribution Worksheet
  - for use of the agent and applicant to help calculate the appropriate applied-for amount of monthly benefit for non-owner employees.
  - may be submitted with the application for the use of the underwriter.

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## *The Trustee...*

- ◆ Berkshire Bank - an independent bank founded in 1846
- ◆ Reputation for its focus on customer service & responsiveness
- ◆ A Massachusetts Trust administered by the Asset Management/ Trust Group
- ◆ Trust assets may be invested in mutual funds or individual securities based upon individual investment objectives



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## ***Tax Issues***

- ◆ Policy benefits paid are either taxable or non-taxable, depending on who pays the premium
  - employee pays - benefits non-taxable
  - employer pays - benefits taxable
- ◆ Trust earnings are taxable to the insured, as beneficiary of the trust
- ◆ No income taxes on funds distributed by the trust on which taxes have been paid



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## *Markets for RPP...*

- ◆ Existing clients
  - individuals who are contributing to a qualified plan
  - especially those who have purchased DI
- ◆ Businesses:
  - Current business clients to whom you have sold a pension plan, QSPP, VIP or group LTD plan
- ◆ Anyone concerned about retirement planning



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## *Marketing Tools for RPP...*

- ◆ Producer's Guide to RPP.
- ◆ A selection of mailers, including letters and colorful postcards.
- ◆ Brochures with reply cards.
- ◆ Imprintable broadcast faxes and ads.
- ◆ Sales presentations for the employer and employee.
- ◆ Articles for your byline.

# Contacting us



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- ◆ For proposals-- or if you have questions about this coverage, please contact us
- ◆ Bill Thar (847) 266-2248 for sales assistance or questions  
email: sickpay@levinagency.com
- ◆ Jerry Fox (847) 266-2235 to generate proposals  
email: Jerry@levinagency.com
- ◆ OR fax us at (847) 681-9501
- ◆ OR visit our web site [www.levinagency.com](http://www.levinagency.com)