

Golden Bullets

Derek B. Ferriera, CLU[®], CFP[®], ChFC[®], REBC[®]
Matthew E. Roberson, CFP[®]



Address

2105 South Bascom Ave.
Suite 300
Campbell, CA 95008

Telephone

408-879-4211

Fax

408-559-1620

Emails

Derek.Ferriera@LFG.com

Matthew.Roberson@LFG.com

Website

<http://mycsolutions.com>



GETTING RELIABLE ADVICE: THINGS TO CONSIDER

As financial professionals, we do our best to make sure that we are really serving our clients in the way they expect to be served. Our goal is to have our clients feel better off for having our help than they would be otherwise.

Unfortunately, not every person gets the help they seek from their life insurance agents. We thought you might be interested in seeing some recent court decisions in which folks got upset by their agents.

1. ***Client Who Sought Tax Deductions Damaged by Agent's Conduct.*** In a Pennsylvania case, the defendants set up over 500 multiple-employer death benefit plans with entities they controlled acting as the trustees. These plans and entities were structured primarily as life-insurance based plans designed to generate tax deductions for the employer. The Department of Labor brought a civil action against the professionals, alleging breach of fiduciary duty and mishandling of funds through a complex network of entities and accounts they controlled. The court imposed a lifetime ban prohibiting defendants from serving in any capacity with authority over an employment benefit plan; and required defendants to ***repay nearly \$20 million.***
2. ***Client Felt Misled by Agent's Assurances.*** An Ohio federal court dismissed a policy owner's claims that the agent tricked him into buying a universal life (UL) insurance policy on the life of his father as part of a buy-sell arrangement. The policy owner, the insured's son, alleged that the carrier and the agent made misrepresentations about aspects of the UL policy's future performance. Specifically, the policy owner alleged that the carrier failed to inform him that the policy premiums would increase substantially in the policy's 21st year. While the court dismissed the case, that certainly didn't make the policy owner any happier.

3. ***Agent's Advice Reduced Coverage Shortly Prior to Insured's Death.*** In a California case, the client had both regular life insurance coverage and a term insurance rider. The agent, worried that future insurance premiums for the client would increase due to rising cost of the term insurance, recommended that the rider be cancelled. The insured died unexpectedly within a short time thereafter, and the policy beneficiary was upset. The court dismissed the case.

We are less worried about being sued than we are about making sure that we are doing our best for our clients. That is why we try to:

- ***Explain both the good and bad*** about the financial product being recommended to clients,
- Back up verbal explanations with ***easy-to-understand written materials***,
- Carefully discuss financial products recommended and those products ***not*** recommended—and remember the thinking behind decisions that were made and
- ***Stay in touch*** regularly after the sales process to ensure that products are performing as expected and to see if needs have changed.

Finally, we think twice before recommending any strategy to a client that has inherent tax or financial risk.

AS ALWAYS, PLEASE FEEL FREE TO CALL TO DISCUSS THESE OR OTHER FINANCIAL SECURITY ISSUES OF CONCERN.

Lincoln Financial Advisors Corp. and its representatives do not provide legal or tax advice. You may want to consult a legal or tax advisor regarding any legal or tax information as it relates to your personal circumstances.

- > Derek Ferriera and Matthew Roberson are registered representatives of Lincoln Financial Advisors Corp.
- > Securities offered through Lincoln Financial Advisors Corp., a broker/dealer. Investment advisory services offered through Sagemark Consulting, a division of Lincoln Financial Advisors Corp., a registered investment advisor. Insurance offered through Lincoln Marketing and Insurance Agency, LLC and Lincoln Associates Insurance Agency, Inc. and other fine companies. CA Insurance License number: Ferriera # 0665169 and Roberson # 0C80604.
- >
- > This material is for informational purposes only. We do not offer legal or tax advice. Seek the advice of a tax advisor prior to making a tax-related insurance/investment transaction. CRN - 1241060-070615