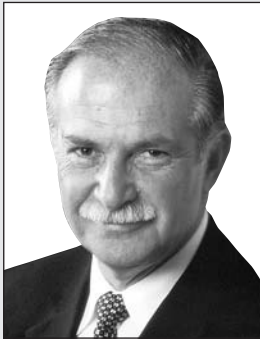


## Clergy, Shrinks and Financial Advisors

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David B. Malkin, CLU, ChFC, is a 26-year Round Table member with 15 COT and two TOT accomplishments. A Silver Knight of the MDRT Foundation, he has served in many MDRT committee positions, most recently serving as the 2003 Special Projects DVP. Active in the life insurance industry for 38 years, Malkin is a National Association of Insurance and Financial Advisors past president as well as a past president of the Nassau County and New York State Associations of Insurance and Financial Advisors. He has addressed local and state associations in 38 states and has testified in front of the United States Senate Committee on Banking, Housing and Urban Development.

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A mother takes her five-year-old son to visit a kindergarten class so the child could see the classroom and meet the teacher before entering kindergarten in the fall. The teacher welcomes the child and suggests that he walk around the classroom and ask any questions he might have. The child walks around and stops in front of a shelf filled with toys. He picks up a toy and it happens to be broken. He looks at the toy; he looks at the teacher and asks the following question:

“Who broke the toy?”

Are you listening? Did you hear the question? What was the question? “Who broke the toy?” No, that is not the question. What the child really wants to know is what happened to the child who broke the toy?

Listening. It is really a skill that can be taught and must be learned if we, the insurance and financial advisors to our clients, are going to be their trusted confidant.

In my experience, there are several qualities and characteristics that make the difference between the average advisor and a successful insurance and financial advisor.

First is knowledge.

Without knowledge most of us would walk by opportunities without ever recognizing they were opportunities. Acquiring knowledge means learning something new every week and leaning about it in depth. That means paying a price in time and perhaps money. The most important skill is listening. Psychiatrists and psychoanalysts spend years learning that skill. The clergy spend years learning that skill. How about us? How much time have we spent learning that skill?

The most successful men and women in our business know that first they must earn their prospect's trust and confidence in the first 15 minutes before they can help them. The only way to earn that trust and confidence is to ask questions, shut up and listen.

Here is how I approach my first meeting with a prospect and I'm sure it is not too different from yours or you wouldn't be here. I always try to get the prospect to talk about themselves first, (their business second) and (then their family). If they are a business owner, I ask questions about the business second and then their family.

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If they are not business owners, I will ask about their family second and then their business career.

Questions such as “Where did you grow up? Where did you go to school? Were you into sports? What did you do for fun when you were in school? What do you do for fun now?”

How did you get into this business or profession? Were other family members in this business before you? Are you the sole owner? If you were to go to the movies tonight and not come back, do you have a succession plan in writing? By the way, during these initial questions, I almost always use silence after the prospect answers. I do it on purpose. Silence is uncomfortable for the prospect and me. However, I know I’m using it for a reason and the prospect doesn’t. What happens is the prospect begins to talk again because silence is uncomfortable.

After I do that several times, the prospect becomes conditioned to giving me more complete answers to questions because I’m not going to say anything and I’m looking for more answers. For example: I continue with “Tell me about your family.” Notice I didn’t ask if the prospect was married or had children because there are different definitions of family. Don’t assume anything. Listen.

Find out what the prospect’s definition of family is. If the prospect answers, “I’m married and have three children,” I just look at him and I don’t say anything. I just nod. Sure enough, it only takes 10,15,20 seconds the most, and all of a sudden he is offering me the sex and ages of his children, and that is what I want him to do. After he tells me he has three children and their sex and ages, I say “Tell me more about your children”.

The prospect will go through each child and tell you about them. I make a mental note of their names or write their names down and then go back and say, “Tell me more about Mary. What do you think her greatest strength is?” I will do that with each of the children. The prospect glows describing the strengths and attributes of each child.

I start again and say, “Let me ask you again about Mary. Do you or your wife have any concerns or anxieties in any way? Or how about Steven? Or what about John?” In

some cases you don’t hear any negatives. About half the time the prospect expresses concern about a child’s future. This is a turning point in the interview because now I’m getting the client to focus on personal things; sharing things the client doesn’t normally talk about.

Then I will say, “I would like to ask you a very personal question. You don’t have to answer it but the answer is extremely important to any advice I can give you in the future. Can you tell me with the utmost confidence that you will still be married to your spouse 10 years from now?” I do not take my eyes off their eyes. I do not smile; I have no expression on my face. 50% of the time they start to laugh. “Oh sure, we’re good, everything is fine.” But the other 50% of the time I get answers like, “Well, it’s not the same as when we first got married” or “Everything is fine now but you know divorce is what 50% and you can’t predict the future.”

Or, they are even more forthcoming with problems in their relationship. Keep this in mind; men are different than women. Women find it much easier to confide in a very close friend because they know that friend will not repeat what is said. Very few men have this kind of relationship so therefore are more willing to share with us. I will try to get them to tell me more by relating to a situation with another client without mentioning names and see if I can get a more complete response. My objective is to get the client to disclose personal information, to decide to trust me. By the way, when you ask a question, no matter how personal, if you expect your client to answer, they will. If you have any hesitation about asking the question, they won’t answer it. It could be your body language, what they read in your eyes.

I’m not quite sure, but I know from experience, if I expect someone to answer my question, they will.

If I’m doing estate or personal financial planning, I really need to get the prospect involved so I ask questions that put my prospects in certain situations that make them think. For example, let’s use all of you as a test prospect. How many of you have children? OK. Remember when you did your first will? Probably right after your first child. It said that if you and your spouse went to the movies and

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didn't come back, the children would live with a guardian. In your will you had a trust set up for the money. You appointed trustees. They could have been the guardians or others, but basically that trust was simple. It says, support, educate, clothe and then perhaps income with distribution of principal at 25, 30 and 35, or ages similar to that. Am I correct? My first will did just that.

Let's fast forward. Today, my children are 35, 34 and 28. Now if I had not changed my will and Sandi and I drove to the movies and didn't come back, my oldest child would have received her total distribution because she is 35. My 34-year-old son would have gotten his distributions at 25 and 30 and will have to wait another year for the final distribution. My 28-year-old son would have received his first distribution but would have to wait for the next two. Today, all three of my children are responsible adults and I would not treat them differently. Perhaps what I should do is change the distributive provisions of my testamentary trust to say that all three of my children should receive their shares at the same time. Maybe what I should do is say I will give them 1/3 or ? now, then wait 5-10 years and give them the rest or some similar scenario. What do you think? I ask my prospects what they think in light of what I just talked about. I then shut up and listen.

Then I say, "Let me take this one step further." What percent of marriages fail in this country? Most people would say half. How many of you are beyond your first marriage? Would you be interested in a way of protecting your children from predators, creditors and equitable distribution in the event of a divorce? What does the prospect say? "Absolutely". Well, why not give your children the money that you want them to have for education, a down payment on a home, investment in a business, lifestyle, whatever, but hold the rest of the money in trust instead of distributing it outright at certain ages. Make it generation skipping as well.

Protect your children and grandchildren from predators, creditors, and equitable distribution. Would you be interested in something like that? Shut up and listen again. Invariably the prospect is headed in that direction. You see, you are having a conversation that no one else has

really had. The CPA has not had this conversation and most attorneys are reactive, not proactive. Very few question their clients like we do. Please remember, do not finish your prospect's sentences for them. I know it is hard, but use silence. It works. Your prospects will tell you things they haven't shared with anyone before.

Let me share some real life experiences that I have had.

A little over two years ago one of my property casualty contacts introduced me to two brothers. They owned a very substantial company and were good prospects for estate planning. We met with the two brothers and I began asking them questions leading to a conversation on estate planning. When I asked what their shareholders' agreement said, they looked at each other, they looked at me, they looked at their chief financial officer and back at each other and one brother said, "Do we have a shareholder's agreement?" His brother said, "I'm not sure". Well it turns out they didn't have a shareholders' agreement.

I explained that if one of them passed away, the other one would be in business with the brother's family. Is that the result that you want? They both looked at each other with fear in their eyes. We stopped the estate-planning interview, called their law firm, a very prominent firm by the way with offices in several states. We made an appointment to meet with the attorney and they drafted a buy-sell agreement. We suggested that they fully insure that agreement. They fought me and fought me and beat me down and only insured the buy-sell with 50% of the estimated purchase price. 21 months later one of the brothers died of a heart attack while in the contestable period.

We paid that claim in the spring of last year. The death benefit was \$50 million. That is the good news. The bad news? The surviving brother owes another \$50 million. Three weeks after his brother died, I had lunch with him. I related the story of two men crossing a desert. Nightfall came, they pitched a tent and were cooking their dinner when a voice came out of the darkness. It said, "Fill your pockets with sand". They looked at each other, didn't really know what to do but decided to put some sand in their pockets. They went to bed. The next morning when

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they awoke their pockets were filled with semi-precious stones and they were both happy and sad. Happy they had put the sand in their pockets, sad they hadn't put in twice as much. My client looked at me said, "Touché". Ladies and gentlemen, no matter what the size of the death claim, it is never enough.

Another true story. Sandi and I did an estate-planning refresh a couple of years ago and during that interview, the attorney asked me, "Would you like a QTIP"? A "QTIP" simply means that in the event of my death, my wife would receive the income from the trust and the trustee could give her principal if she needed it for her health, maintenance and welfare. However, my wife would have no power appointment of that trust. In other words, if she remarried, if her new spouse had children, she could not name them.

I would control the distribution of those assets from the grave. They would go to my children after my wife died. I told the attorney I didn't need a QTIP. I said that even if my wife should marry someone else, she would never let him know what she had because it is not for him. That money is for her children and grandchildren. Well he turned to my wife and said, "Sandi, do you want a QTIP?" and she said, "Yes." I was shocked. I said, "Sandi, we're married 38 years. You don't trust me?"

Sandi said, "I work at Neiman Marcus. I see men like you, David, all the time with their second wives. And those second wives have nicer jewelry, nicer clothing, nicer fur coats, and nicer cars. Not with my money!" Something to think about huh? I almost always relate that story to my prospects. They laugh like you did. I then get serious and ask them how they feel about a QTIP. Shut up and listen.

About two months after we had finished our estate planning, we took our children and grandchildren on a cruise. Sandi and I thought it would be a good idea to share with our family what our estate plan looked like. We were sitting around the pool. I was explaining to everyone that Sandi and I had just finished our estate planning and what would happen after we died. All of a sudden there was a boat drill. This means that you are supposed to go to

your room, put on your life vest and go to your assigned boat station. Our family has been on many cruises and Sandi said, "I'm not going to go on this boat drill". My daughter and younger son said the same thing. My older son and his wife said, "We're going to the boat drill." My 8-year-old grandson said, "I'm going with Uncle Drew." I asked, "Why are you going with Uncle Drew?" He said, "Because if this ship sinks, I'm going to be rich." True story.

Our firm has insured over 400 attorneys and while providing financial and insurance planning for them, I have been able to acquire over a dozen law firms as clients. Based on this experience and others, let me share with you how I begin almost every initial interview.

Our firm has done both personal and business planning for over 400 attorneys and interestingly enough more than 65% of them did not have a will when we first met them. Former Chief Justice of the United States Supreme Court Warren Burger died without a will. We have over 200 physicians as clients and hardly any of them have annual physicals. You see it is not unusual. No matter what your trade or profession, we are all so busy doing what we do, we hardly ever make the time to put our own financial house in order. Don't your agree? In every situation the prospect agrees and without any hesitation I begin my Fact Finder. "Tell me about your family."

I find that attorneys and accountants are the best sources of referrals so here is how we get in front of so many of them. The most logical step is we ask our clients who their attorneys are and what is their opinion of them. We also look in the yellow pages in the communities we want to concentrate in. We look at ads for law firms. If the ad suggests the firm is a pretty good size and mentions estate planning, we call. We ask to speak with the trust and estate attorney. When the secretary or assistant answers, I explain that I am an insurance and financial planner in the community and I am looking for a relationship with an attorney who does wills, trusts and business agreements. Does that fit the description of your boss? May I speak with him or her? I get through 100% of the time. I repeat the same story to the attorney and ask him to join me for lunch so we can get to know each other better.

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After the niceties are done, I ask where he grew up, where he went to college, law school. What was his first job out of law school? How did he get to his current firm? Tell me about the firm. Notice that I dominate the conversation, not by talking, but by asking questions. The exact same scenario can be used with accountants. The attorney will talk for 15-20 minutes or more before I explain who I am, who my firm is, and the kind of work that I do. I simply say that many of the prospects we encounter are in the need of wills, life insurance trusts, buy-sell agreements, etc. Would he have any objection if we began to refer people to him or her? Well, you know what the answer is. But I don't leave it just like that. I explain that the way I work, if acceptable to him, is that I would like to bring the prospects in for a one-hour meeting totally free of charge. In 99% of the cases I have already done planning and I will send the attorney the planning in advance of the meeting.

We will then discuss the plan that I did, the attorney can ask all the questions that he or she wants and can even object to the planning and suggest alternative ways of doing it, and that is fine. I then explain how I make my living and I explain that I understand how they make their living. And everybody understands.

Now that I have an understanding, I believe I can ask any question that I want, so what questions do you think I ask next?

You are right, tell me about your family. Do you have a shareholder's agreement in writing? What does it say? Do you have a savings and investment program? How are you doing? Now you are really into it and you can take it from there. Here is something else that we do. I will refer two clients to this attorney and then I will say to the attorney, it is your turn. If no referral comes, the attorney never gets another one as well.

Questions, I love questions. Here is such a simple idea I picked up at an MDRT meeting years ago and it works. I take a yellow pad and I write five different statements on it and you can be creative and make up your own, but here are samples of what I use.

I am very concerned with accumulating enough capital to assure a comfortable retirement.

I want to use the strategies and tactics that the most wealthy use to avoid taxes.

I am concerned about providing security for my spouse, children and even grandchildren without spoiling them. I want to protect them from creditors, predators and equitable distribution.

I'm concerned about the potential financial problem of a long-term illness.

I would like to move assets to the next generation without losing control of my income.

I then give the yellow pad to my prospect and ask them to prioritize those statements by numbering them 1 to 5 with 1 being the most important. Guess what I do next?

How many of you work, or want to work in the business insurance marketplace? Good! The best place to look for business insurance prospects is right in the community where you work or live. I'd like to suggest you concentrate within one square mile. This works if you live in the suburbs or a large city. I would like you to look in the local newspaper, the smaller the paper the better. I look for ads published right after the help wanted ads called business opportunities. I'm looking for an ad of a business for sale due to illness, death or retirement.

I clip the ad, roll it up, take a bunch of business cards and index cards, and put them in my pocket. I do not carry a briefcase. I go to the business for sale. Starting with that business as ground zero, I then walk into every business I can in a day, show them the ad and ask them if they know the circumstances under which the person or persons who own the business are selling. If they know, they will tell you. Whether they do or not, say, "I'm surprised. Didn't they have business continuation insurance?" The person you are talking to will ask "What is that?"

I answer back, "That is the kind of insurance that if the business owner is sick or hurt, will pay their employees' salaries and withholding taxes, rent, utilities, insurance premiums, accounting fees. I tell them that it is really inexpensive and it is tax deductible as a business expense. "Do you have business continuation insurance? Here is my business card. That is the kind of business I am in. If you are interested, I would be happy to provide you with an

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estimate on what it might cost you. There is no obligation of course.” I then take out an index card and start asking the questions I need for business overhead expense insurance. When was the last time any of you sold a business overhead expense policy? We have it in our bag. It isn’t expensive and it is tax deductible.

I can literally go from business to business and complete 10, 20, 25 index cards in one day. When was the last time you spoke to 20 or 25 prospects in one day? How about one week? How about one month?

I then go back with a very simple proposal. At the top of the page are the business expenses the policy covers. Employee salaries and withholding taxes. Rent. Utilities. General insurance premiums. Accounting fees. Then I stress the tax-deductible premium on a monthly basis. You will sell a minimum of one policy for every two people you see. If you collected 25 business cards, you are going to sell 12-13 business overhead expense policies.

Now, when I go to deliver the policy, I always put that one page proposal in the front of the policy. When I go back to the business owner, I go over the policy again, tell them what it pays, show them the tax-deductible premium and collect the check. I then say you have made an awful lot of people happy because if you are out on a short term disability, that could be 6 months, 12 months, 18 months, your employees will get paid, the phone company, the gas company, the electric company will get paid. Your accountant will get paid, your general insurance broker will get paid, but you know we have taken care of everybody but the most important person. You see, business overhead expense insurance pays everyone else but it doesn’t pay you.

If that short-term illness were to become a long-term illness, how much income would you need to remain in your world? Then you do a Fact Finder to find out what resources he has and now you are selling disability insurance. Another product that most of us forgot we have in our bag.

When I go to deliver the disability policy, I have now sold this person two business insurance policies, because that is how he perceives it. Business overhead expense

and disability income insurance. Now you can ask another question or two. For example, you can ask about their health insurance. Are they happy with the coverage? Are they happy with the service? Would they have any objections if you looked at it, no obligation of course, to see if you could provide better benefits for the same premium or perhaps the same benefits for less premium. Of course there is no objection.

Or you could say what type of company retirement plan do you have? Are you happy with the plan? Does it accumulate enough money for you? Does it discriminate against you in favor of your employees? Would you like to reverse that discrimination? Let me take a look at it, no obligation of course.

Let me share another thing with you. In our practice we can’t be all things to all people, so we outsource to other firms group insurance, employee benefits, qualified plans and non-qualified plans. We concentrate on estate planning, business succession planning and distribution planning from qualified plans. We outsource everything else. What has happened is that we have increased our business 150% because now we earn half of everything we outsource and it doesn’t take us away from what we do best. We are focused and we discipline ourselves to stick to what our specialty is and outsource the rest.

Ladies and gentlemen, in my experience, and I’m sure yours if you think about it, you will find that most people do not have a will or have one that is up-to-date. Most businesses in this country are small and medium size businesses and they don’t have a business continuation plan in writing.

Our firm has been successful for years working jointly with property/casualty brokers. Remember when I said that you have to earn someone’s trust and confidence in the first 15 minutes? That means not talking about yourself but asking questions. Let me leave you with this situation I found myself in. One of my property/casualty people introduced me to a client who owned a heating and air conditioning company. It isn’t a large company. It has 6 vans and there are two brothers that own the company. When I was introduced to the oldest brother, I

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asked him how he started in business, which is exactly what you do.

He told me he started the business 16 years ago and 10 years ago his younger brother joined him. I asked if he was incorporated. He said, Yes.” “Are you equal shareholders?” He said, “No, I own 60% and he owns 40%.” I said, “Do you have a shareholders’ agreement in writing?” Well we went through his file cabinet and he pulled out a shareholders’ agreement and every page was marked “DRAFT”. They had gone to an attorney two years before, he had drafted a shareholders’ agreement but they had never gotten around to signing it. I asked the older brother if he had any children in the business or would have children coming into the business. He said his oldest son was already in the business. I looked at the shareholders’ agreement and it was a typical cross purchase agreement so I said, “Let me ask you a question. If you had signed this agreement and you had died, your brother would then own your interest, is that right?” He said, “Right”. I said, “That means your son would be working for his uncle. Is that the result that you want?” He said, “Oh no, that isn’t good. I’m glad I didn’t sign it. I would have to do something else.” I said, “What would you do?”

Shut up and listen. Do not offer a solution before the prospect has explored all of his options first.

He said “I would leave my interest to my son.” So I said, “Let me understand. If you died and had signed this agreement and you had left your interest to your son that means your brother would be working for his nephew. How would that work?” He had a quizzical look on his face. He said, “Uh uh that wouldn’t work too well.” I said,

There is really nothing from preventing your brother from leaving and opening his own business in competition with your son. Right?” He said, “Right”. So he asked me what he should do. I asked the question, “Do your son and your brother get along?” He said, “Yes.” I said, What if they were 50-50 owners? Would that work?” He said, That would work.” I said, Fine, then let’s do a shareholders’ agreement where your brother buys and additional 10% of the stock and your son buys 50% of the stock.”

He said to me, “Why should my son buy the stock, I could leave it to him.” I said, There are a couple of reasons why your son should buy the stock. First, mom needs the money. She never wants to have to go to her children and ask for money. She wants to live the rest of her life with dignity. Secondly, when your son purchases it that is his basis in the business. Then if he and your brother should want to sell the business, they will not have to pay tax on what they paid for the business, only the money they get in excess of what they paid.” He said, “Oh, but where would my son get the money to buy my shares?”

Let me summarize. Knowledge is power. It helps us recognize opportunities that our competitors won’t. The skill of listening puts us in a position that no other advisor currently holds. Ask questions. Listen. Use silence. Listen again. Your prospects will become clients and you will hear what I hear almost all the time.

They say, “I told you more in 20 minutes than I think I have told my spouse, my best friend or my priest or rabbi.” What a great feeling. You see, we are “without license” clergy and shrinks and with license insurance and financial advisors to our clients. Thank you.