CHAPTER 35

THE LONG ROAD TO INSURANCE BLISS

BY STEVE HOLTZ

I've always been a searcher. I was born with a natural curiosity that radiated in every direction. I was one of those kids who couldn't resist taking things apart to see how they worked. Unfortunately for my parents, I didn't always have the same knack for putting them back together again. This fascination, curiosity and desire to understand how things work still endure in my life today.

THE BEGINNINGS

A new kind of search began while I was in college, and it has served me well as a professional. In addition to pursuing a traditional education, I also began a spiritual quest in the desire to be a better person and endeavor to find the proverbial "meaning of life." Since then, I have participated in numerous seminars and read countless books by authors with intriguing ideas. The great value I have derived in pursuing this type of information is immeasurable. I strongly believe that I am a better husband, father and friend, and I also deliver much more value to my clients as a direct result of this particular aspect of my journey.

Although I didn't set out with a goal to enter the insurance business, it has worked out well. It was a struggle at the beginning, as is true for most. I am not sure of the statistics today, but when I entered the business 35 years ago, more than 95 percent of those who tried to make it a career were gone within two years. Why? Did they not like the business or did they find they couldn't be successful in it? My mentor often said that the insurance business offers tremendous opportunities to enjoy great success and can be quite rewarding, but it will be neither satisfying nor rewarding if you are just mediocre. Given my innate interest in taking things apart to see how they work, I set out to dissect the insurance business with the goal of understanding each piece, and was determined this time to successfully put them all back together again.

FACING NEW CHALLENGES

I wasn't the best candidate in the world to go into the insurance business. I was very shy and not the outgoing, gregarious type, so I wasn't exactly your stereotypical insurance guy. I was single and hung out with mostly single people, so I didn't have the greatest list of prospects upon whom to call. My education hadn't prepared me, either; I was a biochemistry major and hadn't taken much in the way of business classes in college. I had three strikes on me before I even had a chance to swing the bat.

Given the attrition rate of new insurance salespeople, you could reasonably conclude I would have been a hopeless case. But I did have a few things going for me. I had a natural curiosity about the inner workings of the business and financial world, along with a strong desire to help people. I was low-key and sincere, two qualities most people appreciate. Being single was also surprisingly an advantage in one very significant way: I didn't have a family to take care of, so I didn't have the financial pressure that having a family creates. That doesn't mean I didn't have financial pressures; I did need to make enough money to at least take care of myself.

I also had one other significant factor in my favor. The personal growth seminars and the self-help books I had read would yield huge benefits. I didn't realize it at the time, but in a lot of ways I was being given a template that showed me how to be successful not only in life, but in business, as well. The tools and ideas ranged from the simple to the sublime. They were concepts as simple as "never be late," which translated to being on time for all my appointments. "Be true to yourself and others" or if you say you're going to do something, follow through and do it.

PURSUING SUCCESS

By far the most important concept I had learned, though certainly a bit abstract, is how we influence personal success through our attitude and our thoughts. Every human accomplishment begins as a thought. Success is a matter of channeling our thoughts, turning them into actions, and then taking responsibility for the results, whatever they may be. Given that we are often our own worst enemies, it is very easy to forget that and to get caught up in the everyday frustrations that we all encounter. Looking back, I had plenty of hurdles and obstacles. In spite of what I knew on a conscious level about how things work, I wasn't without my share of fear and anxiety about the present and the future, particularly from a financial point of view. I had self-doubt about whether I could put all the pieces back together again.

My career has had its share of twists and turns. When I first started out, I was an agent for several different insurance companies that provided the support and structure I thought I needed. However, I felt torn in my loyalties between making sufficient sales numbers for the company versus providing the best product to my individual customers. Unable to completely reconcile the two, about 20 years ago I took the chance of setting up my own office. Finally, I could operate completely independently and feel free to be completely objective in my recommendations.

When I entered the insurance business, there were basically two types of life insurance: term and whole-life. There were many variations of each, but purchasing life insurance at that time was basically a choice between one or the other, or a combination of the two. Whole-life, at that time, as was always the case, was a safe place to put your money. But your equity grew at a snail's pace, and you didn't have much equity in the early years. While many of my colleagues sold lots of whole-life, it didn't appeal to me as a wealth-building tool, so consequently I couldn't recommend it with a clear conscience. My goal was to find better ways to create financial security, not only for my clients, but for myself as well.

MY NEW STRATEGY

This was a very interesting and dynamic time to be in the financial services business. There was a confluence of events leading to some exciting changes. Personal computers were coming into vogue, and this new computer age not only enhanced productivity but led to the development of new products. The information superhighway was born with the development of the Internet. This was clearly an opportunity to elevate what I could do for my clients, and I gravitated towards the burgeoning area of financial planning. I became securities-licensed. I enrolled in certified financial planning courses and took all the necessary exams to become a CFP. I felt I was well on my way to finding the “Holy Grail” in my pursuit of providing financial security. Clearly, my puzzle pieces were beginning to form a recognizable shape.

I became very focused on recommending securities-type vehicles to my clients in meeting their long-term goals. I became a strong “buy and hold” advocate. Being that this was the early 1990s, this happened to be a very good time to do so as we were entering one of the best bull markets in our nation’s history. I was using various types of mutual funds for both qualified retirement plans (IRAs, 401(k)’s, etc.) and nonqualified accounts. for life insurance needs, where it was appropriate, I was recommending the purchase of variable life, where the cash values could be invested in a host of mutual funds, with the idea being that cash value growth would be superior to other types of policies. I instituted for myself and my family all of these recommendations. I purchased a variable life policy when my daughter was born, and I was funding my retirement and my nonretirement accounts with the same mutual funds I recommended to my clients. In other words, I was employing the same conventional wisdom in my personal life to achieve my goal of financial security.

The market did have a couple of small hiccups during the 90s. But conventional wisdom taught that through a buy and hold strategy and methodical, regular investing (dollar cost averaging), the ups and downs didn’t matter because you would do well in the long run. Of course, this assumed ever-upward trends in the market. This strategy worked well until the year 2000 came along and brought with it the burst of the dot-com bubble. Over the next three years, a lot of people lost a lot of money, including me and my clients. I began to worry that the puzzle was incomplete. Were there missing pieces? Leftover pieces? Something needed to change.

A WHOLE-LIFE REVELATION

Towards the end of this three year swoon, I was introduced to a financial concept using dividend-paying whole life insurance that would change the course of my practice. Whole-life? That antiquated, stodgy, painfully slow-growing financial vehicle I had turned away from two decades earlier? Although I was skeptical at first, this wasn't the same whole-life I had forsaken; this was clearly a new and improved version. There were new riders (which are options that could be attached to policies) that significantly accelerated the growth of the equity within a policy. Combine that with the timeless features of a whole-life policy—safety of principal, tax-deferred growth, and absolute access to one's cash value if or when needed—and you had a pretty compelling case for an incredible financial planning tool. Not only that, but with the right guidance and coaching, anyone could actually grow their wealth by using this policy as a source of capital to replace outside financing.

Best of all, no one, including me, had to worry about what was going on in the stock, bond or real estate markets. Every year, a policy's value would be greater than the year before, unless the policyholder had taken out some of his or her equity. That certainly reduced stress and anxiety for those who would like to see their money grow (and who doesn't), but who have a hard time handling the ups and downs in the market. You truly cannot measure the value of reducing one's stress, particularly in regards to money; it clearly has a positive impact on a person's health and general well-being.

The reliability of a properly arranged policy in furthering the pursuit of financial security became quite evident in late 2008/early 2009 when the markets—virtually all markets—took an absolute beating. If you had any money in stocks, bonds, mutual funds or real estate, you suffered a loss, and in some cases, a very large loss. Even the most conservative mutual funds may have lost 30 percent or more of their value. But here is where it gets exciting. With this wonderful financial tool—a uniquely designed whole-life policy that I was using for both my family and my clients—not only did we not lose any of the insurance policy's equity, but the policy's growth continued its expected upward trajectory. This reality had a huge impact on my financial planning perspective.

UNDERSTANDING LIQUIDITY

Another lesson that The Great Recession, which had just begun in late 2008, taught me was the value of having access to one's assets. Some of my clients did suffer financially during this period. Many had to reduce or eliminate contributions to their policy, use some of their equity to maintain their standard of living, or even borrow from themselves in order to avoid a financial calamity. Imagine how relieved clients were when I reminded them that we design these plans to provide flexibility when needed and there is always ready access to one's equity. The goal is to pay back what's been removed, with interest, and this can be done within the constraints of what a policyholder can afford. It was a new paradigm in the world of financial strategies, and I am pleased to say that when I put together all the pieces of what I'd learned over the years, the puzzle was not only complete but relayed a message of hope and reassurance to my clients.

Everyone knows that setting aside money, saving and investing are critically important for a positive financial future. I've learned and now taught that it's not the only facet in achieving financial security or independence. Over the years, I have reviewed and analyzed many people's financial situations. The most common problem I have encountered, when there is a problem, is a basic lack of liquidity. This seems so simple, but it's truly astounding how many people find themselves with a liquidity problem at one time or another in their lives.

The causes are many. Sometimes it's just a matter of overspending or living beyond one's means. It's so sad to see the number of people who use credit, particularly credit cards, without thinking about the financial ramifications, both short- and long-term. A person's financial energy can be changed so dramatically when valuable, oftentimes limited resources are not wasted in paying large amounts of interest to credit card companies and other financing companies. These entities really take advantage of consumers in the way they compute the interest due and the level of interest charged, in addition to other fees. If you are struggling to get ahead, tailor your cost of living to your income and try to create a surplus so you can start saving and create that all important liquidity. It's critical to get out from under the negative compounding factor of interest accrued on credit card debt, and use that same compounding factor in a positive way to maximize savings in the future.

THE COMMON MISTAKE INVESTORS MAKE

One of the most common reasons I've seen for a lack of liquidity is what I would describe as a misallocation of one's assets. I can't tell you how many people I've worked with whose money is basically locked up in two places—their home equity and their retirement plans. Most of us probably view our home equity as readily available, but that is not always the case. There are times when it is not easy to qualify for a home equity loan, particularly if you want to access your equity because you just lost your job. Or what if home prices plummet like they did in 2008? Home equity may disappear, and you risk being underwater on your home loan with no equity left at all. Lenders can also freeze your loan or even "call" it whenever they feel the need. Worrying about these risks is counter-productive to achieving a feeling of financial security and wellness.

Accessing one's retirement plans for liquidity needs can be quite costly. You can always take money out of your IRAs, but after paying the penalties and taxes, at most you'll end up with 60 cents for every dollar you take out. Many 401(k)'s have provisions for making a loan, and this should probably be your first choice for obtaining needed funds, but borrowing from your 401(k) can be problematic, as well.

Retirement planning is extremely important and a goal for most people with whom I meet. Thanks to government inducements (tax deferral, tax-deferred growth), many people contribute to their employer 401(k) plans and/or personal IRAs. I, too, used to contribute the maximum allowed into my retirement accounts. (There's that darned conventional, maybe outdated, wisdom again!) For years I never questioned the efficacy or the ramifications of putting as much money as possible into my retirement plans. But it does need to be questioned when you consider what is actually happening: Depending upon your tax bracket—let's say it's 30 percent—for every dollar contributed, you are saving 30 cents in taxes but you're giving up access to an additional 70 cents. You are losing 70 cents of precious liquidity. For what? So you can postpone the taxes to a later date, and who knows what those tax rates will be when you are someday forced to pay them on every single dollar that you take out in the future? This doesn't even take into consideration that once your money is in a qualified retirement plan like 401(k)'s and IRAs, the government is making the rules and it can change them anytime it wants. Do you trust the government to have your personal financial security at heart, or would you prefer to make those decisions yourself?

THE LESSON

If you have concerns about your financial future, give some thought to the foregoing. Take advantage of what I've learned and observed in my 35 years in the financial services industry. Don't necessarily follow the path of conventional wisdom, for it might be a road that's been laid out not for your benefit, but rather to take advantage of you. Try to avoid the past mistakes that both my clients and I have made and instead take advantage of the lessons that we have learned and proven true. Make sure you have liquidity so you can avoid the clutches of the banks and finance companies. Then you'll be in the best position to take advantage of opportunities as they present themselves. With your financial future secure, free from the stress of worrying about how world events may or may not affect your personal portfolio, you'll have greater peace of mind and a more enjoyable life.

About Steve

Steven Holtz is the founder and owner of Holtz Insurance Services, a full-service insurance agency located in Los Angeles, California. Steve is both a certified financial planner and chartered life underwriter, so he is eminently qualified to assist clients in their quest for financial security and wealth accumulation. He has expertise in a number of different areas, including estate planning, retirement planning, employee benefits, long term care planning, and college funding.

A native of Los Angeles, Steve graduated from UCLA with a bachelor of science degree and entered the life insurance business shortly thereafter. He enjoys working with and assisting a wide variety of clients, including professionals, executives, business owners and many others. From the beginning, his motto has always been to “put the client’s interests first” and to deliver the highest level of service, both personally and through his agency.

Steve is very involved both in his profession and community. He is a member of several professional organizations, including the National Association of Insurance and Financial Advisors and the National Association of Health Underwriters. He regularly donates his time to a variety of charities in the Los Angeles area and is a member of his local chamber of commerce.

Steve is married to his lovely wife, Vicki, and together they have raised two beautiful children. Besides spending as much time as possible with his family, Steve is an avid reader and likes to keep up with current events and politics. He enjoys many outdoor activities, including walking and hiking with his Labrador retriever, sailing, gardening, and travel. He also enjoys a wide variety of sports.

To learn more about Steve and his insurance agency, please visit www.holtzinsurance.com, or call him at (310) 553-2220.