



presenting the basic.

INCOME PROTECTION

Step Three >> Determine the Need!

Disability income requires a personal evaluation of spending and lifestyle habits. Determine what level of income you need to maintain your lifestyle and prioritize your protection.

MONTHLY EXPENSE REPORT

Housing

Food

Transit

Utilities

Technology

Kids

Pets

Healthcare

Insurance

Education

Entertainment

Gifts

Travel

Luxury

Other

JOB A vs. JOB B

Which job would you take?

JOB A pays **\$102,000** per year *when you are healthy*

JOB B pays **\$100,000** per year *when you are healthy*

JOB A pays **\$0** per year when you are disabled and cannot work

JOB B pays **\$60,000** per year when you are disabled and cannot work, all the way to age 65

PULLING RANK

Rank your priorities on a scale from 1 to 5

AUTO | HEALTH | HOME | INCOME |
RETIREMENT

What is the monetary value of each asset?

AUTO | HEALTH | HOME | INCOME |
RETIREMENT

Which priorities do you currently pay to protect?

AUTO | HEALTH | HOME | INCOME |
RETIREMENT

What do you pay to protect each priority?

AUTO | HEALTH | HOME | INCOME |
RETIREMENT

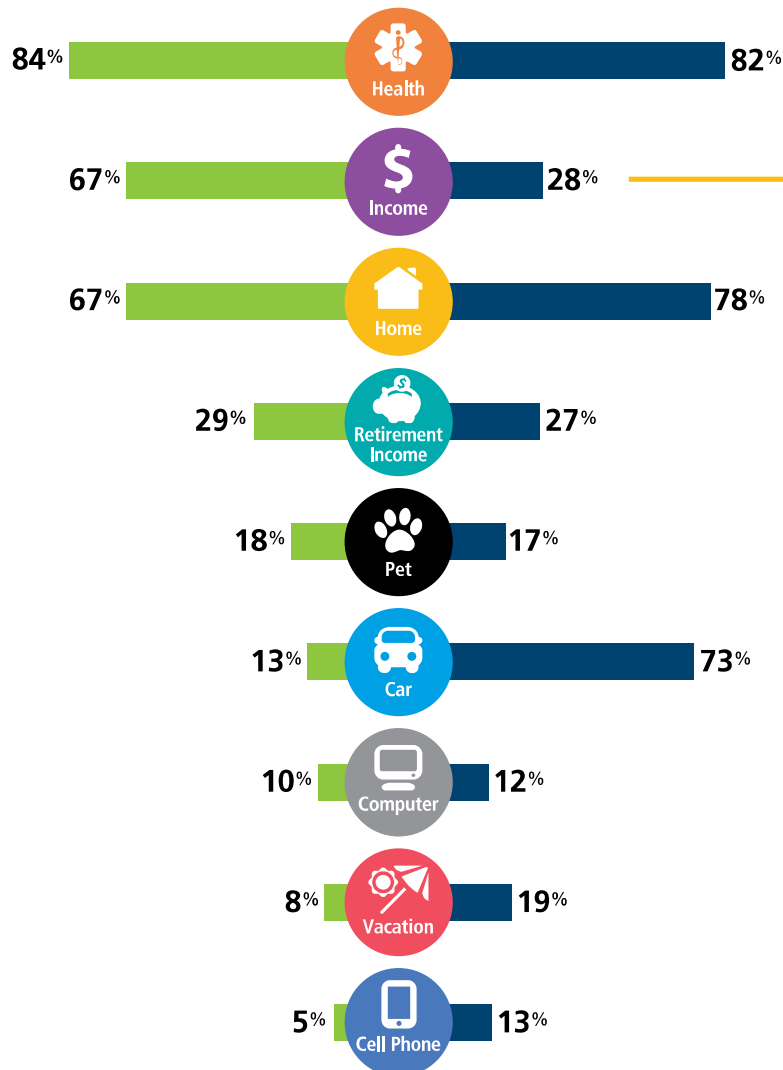
So, where are our priorities?

It should be obvious that wage earners want to protect what is most important to them. But for some reason, most people don't see things that way when it comes to income. The ability to earn a paycheck doesn't enter into many people's thinking as something crucial to protect. What can we do to make it more top-of-mind?

FROM A LIST OF ITEMS COMMONLY SEEN AS IMPORTANT TO PEOPLE, SURVEY RESPONDENTS IDENTIFIED THEIR THREE...

...MOST IMPORTANT THINGS VS ...MOST IMPORTANT THINGS TO PROTECT

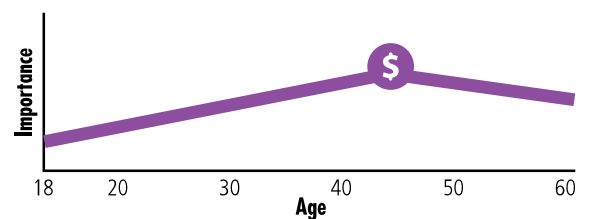
Health, income and home were the most important things in life by far



Overall, only 43% of working consumers report having income protection

Income protection falls far below having health, home and car insurance

IMPORTANCE OF INCOME AND NEED FOR PROTECTING IT CHANGES WITH AGE



Those in their 20s are least likely to say they have a risk. Only one in four said they understand that they have a risk.

TARGET MILLENNIALS FOR IDI SALES

The millennial generation is a profitable but underserved market for IDI sales. These young guns have more to protect than previous generations at the same age and may have potential gaps in their disability coverage. Recent graduates in law and medicine can be good prospects.

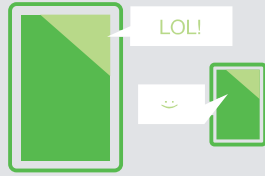


WHO THEY ARE

BORN BETWEEN
1981 and **2000**



Average student loan debt in 2012 totaled **\$29,400**¹



DIGITAL NATIVES

high social media and Internet usage



ONE IN FOUR

of today's working 20-year-olds will experience a long-term disability during their careers²

AVERAGE SALARIES

Millennials may not know their higher salaries expose them to less income protection.



Doctors:
\$215,650³

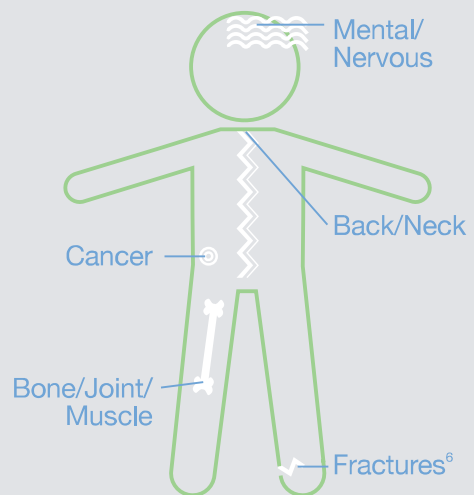


Dentists:
\$166,280⁴



Lawyers:
\$130,880⁵

COMMON CLAIMS



HIGHLIGHT THE NEED

Ask millennials these questions in your outreach:

1 With your income and financial obligations (loans, rent, bills) could you withstand an income disruption?

2 Do you know the maximum monthly benefit of your group disability coverage?

HOW TO CONNECT WITH MILLENNIALS

Recommendations matter. Ensure your current customers are evangelists of your services.

Go online. Meet millennials' demand for instant technology access by building a robust online presence.

Interact face to face. Reach your audience by attending graduate school or young professional networking events.

¹Available at: <http://projectionstudentdebt.org/files/pub/classof2012.pdf>.

²U.S. Social Security Administration, Fact Sheet, February 7, 2013.

³U.S. Bureau of Labor Statistics, Available at: <http://www.bls.gov/ces/current/oes231011.htm>.

⁴U.S. Bureau of Labor Statistics, Available at: <http://www.bls.gov/ces/current/oes291021.htm>.

⁵U.S. Bureau of Labor Statistics, Available at: <http://www.bls.gov/ces/current/oes291069.htm>.

⁶The Standard data – accessed 3/6/14.



Income Protection

What Are Your Top Priorities?



What's important to you? Most likely, making sure you and your family are taken care of is at the top of the list. One way you take care of yourself and them is by guarding against financial hardships. Health, car and home insurance provide reassurance that your family is protected from some of the risks that life brings.

Unfortunately, many people don't take measures to protect themselves and their families by insuring the **asset that makes everything possible – their income**. Your income pays for both the big things in life – the mortgage, food, utilities – and life's little things – children's activities, vacations and cell phones. It's important to protect your salary (some may even call it their "personal ATM") with Individual Disability Income (DI) insurance.

It's common to buy protection plans for televisions or warranties for cars. Why not purchase insurance to protect your ability to earn an income if you become too sick or hurt to work?

Compare the costs

Many Americans spend as much as \$300 a month on the latest technology. Yet, those same individuals haven't taken the important step of buying disability insurance because they perceive it to be "too expensive." Actually, the opposite is often true. Let's see how the costs **really** compare:

| AVERAGE MONTHLY COSTS | |
|---|---|
|  |  |
| TECHNOLOGY – \$300 | DI INSURANCE¹ – \$130 |
| <ul style="list-style-type: none">\$80 for Internet service\$70 for smartphone service\$30 for iPad wireless service\$100 for premium cable\$16 for a Netflix® subscription | <ul style="list-style-type: none">Age 40, male\$75,000 annual income\$4,000/month benefit |

Does your spending reflect your priorities?

Being connected in today's world is important. But isn't it also important to have an income if you become too sick or hurt to work and can't earn a paycheck? Even if you have group disability insurance through your employer, you'll likely only be covered for about 42 percent of your income (after taxes) up to a set monthly cap. And Individual DI insurance benefits are not taxable (when premiums are paid with after-tax dollars) and can be easily added to any group disability coverage you have.

How much do **you** spend on technology each month? How long could you depend on those devices if you couldn't afford the payments because an unexpected illness or injury made it impossible to work? Let's talk about the **real cost** of not protecting your income.

FOR MORE INFORMATION

Contact your local financial representative.

¹ Colorado resident, male, non-smoker, To Age 65 Your Occupation and Benefit Periods, Residual Disability and Recovery Benefit rider, 10% Select Occupation Discount.



WE'LL GIVE YOU AN EDGE®

Principal Life Insurance Company, Des Moines, Iowa 50392-0001, www.principal.com

Disability insurance has certain limitations and exclusions. For costs and complete details, contact your local Principal Life representative.

Disability Insurance and Federal Taxes

Disability Income

| Organization Form | Coverage For | Premium Paid By | Owner/ Beneficiary | Premium | Tax Treatment | Benefits |
|----------------------------|--------------|-------------------------------|--------------------|---|---------------|--|
| Individual | Individual | Individual | Individual | Not Deductible (IRC Sec. 213) and (IRC Sec. 262) | | Tax Free (IRC Sec. 213) and (IRC Sec. 262) |
| Sole Proprietorship | Sole Prop. | Sole Prop. | Sole Prop. | Not Deductible Business Expense (IRC Sec. 213) and (IRC Sec. 262) | | Tax Free (IRC Sec. 104(a)(3)) |
| | Employee | Employer | Employee | Deductible Business Expense Not Taxable Income to Employee (IRC Sec. 162) and (IRC Sec. 106) | | Benefits Reported as Income |
| | Employee | Employer | Employer | Not Deductible Business Expense (IRC Sec. 265) | | Tax Free to Sole Proprietor |
| Partnership | Partner | Partnership | Partner | Not Deductible Business Expense (IRC Sec. 262) and (IRC Sec. 162) | | Tax Free (IRC Sec. (a)(3)) |
| | Employee | Employer | Employee | Deductible Business Expense Not Taxable Income to Employee (IRC Sec. 162) and (IRC Sec.106) | | Benefits Reported as Income (IRC Sec. 105) |
| | Employee | Employer | Partnership | Not Deductible Business Expense (IRC Sec. 265) | | Tax Free to Partnership (IRC Sec. 104(a)(3)) |
| Corporation | Employee | Corporation | Employee | Deductible Business Expense Not Taxable Income to Employee (IRC Sec. 162) and (IRC Sec. 106) | | Reported as Income (IRC Sec. 105) |
| | Employee | Corporation | Corporation | Not Deductible Business Expense (IRC Sec. 265) | | Tax Free to Corporation (IRC Sec. 104(a)(3)) |
| | Employee | Employee, via Executive Bonus | Employee | Executive Bonus is Tax Deductible to the Business & Reported as Income to Employee (IRC Sec. 162) | | Tax Free (IRC Sec. 104(a)(3)) |

Business Overhead Expense

| Organization Form | Coverage For | Premium Paid By | Owner/ Beneficiary | Premium | Tax Treatment | Benefits |
|---------------------------------------|--------------|-----------------------------|-----------------------------|---|---------------|--|
| All Forms of Eligible Business | n/a | Sole Proprietor or Business | Sole Proprietor or Business | Tax Deductible (Rev. Rule 55-264, 1955-1 CB 11) | | Reportable as income. However, overhead expenses that are deductible as ordinary business expenses will, to the extent deductible, offset the reportable benefits. |

Disability Buy-Out

| Organization Form | Coverage For | Premium Paid By | Owner/ Beneficiary | Premium | Tax Treatment | Benefits |
|-------------------------------------|--------------|-----------------|--------------------|---|---------------|-------------------------------|
| Sole Proprietorship | Sole Prop. | Sole Prop. | Sole Prop. | Non Deductible (IRC Sec. 213) | | Tax Free (IRC Sec. 104(a)(3)) |
| Partnership Entity Buy-Out | Partnership | Partnership | Partnership | Non Deductible (IRC Sec. 265) | | Tax Free (IRC Sec. 104(a)(3)) |
| Partnership Cross-Purchase | Partner | Partner | Partner | Non Deductible (IRC Sec. 213) | | Tax Free (IRC Sec. 104(a)(3)) |
| Corporation Stock Redemption | Corporation | Corporation | Corporation | Non Deductible (IRC Sec. 213) Not Taxable to Shareholder Rev. Ruling 59-184, 1951-1 cb 65 | | Tax Free (IRC Sec. 104(a)(3)) |
| Corporation Cross-Purchase | Stockholder | Stockholder | Stockholder | Non Deductible (IRC Sec. 213) | | Tax Free (IRC Sec. 104(a)(3)) |

DI QUOTE REQUEST FORM

Last Name: _____

First Name: _____

DOB: _____

Smoker? _____

Self-Employed? (how long?) _____

Gov't Employee? (Fed/St/Local?) _____

Occupation Title: _____

Years in occupation _____

Years with current employer _____

Daily Duties: _____

% of time working at home _____

Foreign Travel (where and how long?) _____

Annual Income: _____

Last Year's Income: _____

Previous Years' Income: _____

Unearned Income: _____

Monthly Benefit Desired: _____

Existing DI benefit (Replacing?): _____

State DI? _____

Benefit Period Desired: _____

Waiting Period Desired: _____

Riders Desired: _____

Partial Disability? _____

Rate Guarantee? _____

Own Occupation? _____

COLA? _____

Future Increases? _____

Multi-life Discount (3+ lives)? _____

Health and additional info: _____

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