

Commission Protection Alert: 2024



At **Commission Solutions** we are commission protection professionals. Our Mission is to educate and then help health insurance professionals develop ways to protect their commissions.

As the AEP and Open Enrollment seasons are about to take over the lives of health insurance professionals, it is easy to get sidetracked when thinking about how to develop a plan.

***Let us put a place holder in your January calendars to look at your plans
to protect your commissions while active.***

With the amount of education out there on commission protection and even on selling someday, we hope you will make 2024 the year to implement a plan to protect your commissions in ALL life events. One plan can cover protection and an eventual sale at your timing.

Procrastination

Besides the usual planning procrastination, the kind that is human nature, when brokers do take a few steps forward in the multi-step planning process, many seem to stall when it comes to the most vital step—selecting a successor. A successor is the person you can depend on to perform and meet all the terms of your Succession Plan.

Surveys of California brokers show how over 50% of brokers do not have a commission protection plan. For those who do have a plan over 60% do not have a successor named and more than 70% do not have a written succession plan or exit agreement developed or reviewed by an attorney.

Commission Control

A key finding from the surveys and from our CE courses on Protecting Commissions is the identification of how solo brokers think they will work well into their eighties and prefer to keep their commissions directly paid to them during this time. The need for commission control is evidenced through both the surveys we conducted and over eighty broker discussions. When Brokers are given the option to keep their commissions and implement a plan to protect their commissions in any life event, the response has been very favorable. As a professional succession planning agency, we offer flexible solutions for active health insurance professionals. Brokers who want to protect their commissions overwhelmingly want to keep rather than transfer commissions until they are ready to sell or retire. Most Brokers while active and able prefer to stay involved and in doing so know they will be able to ride out their commissions for as many years as they prefer. These Brokers also know they lose their commissions once they are no longer licensed or certified so having a successor agent in place with a legal document outlining their wishes is ideal.



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Professional Succession planning agencies have the following in common:

1. They have a team of licensed, experienced and highly ethical professionals who have broad expertise and a commitment to helping protect commissions.
2. They lead with education and follow with legally sound and industry and carrier specific expertise in commission agreements; and
3. They have a team of employed professionals who can deliver on the agreed which includes written terms that are legally binding so when the Active Broker needs the successor to perform there is no question in what to do.

Can an LLC protect commissions?

An LLC is a costly option to use for many solo brokers and only provides asset protection from creditors. LLCs and S-Corps do NOT protect commissions earned by licensed health insurance professionals who are contracted and appointed with insurance carriers, maintain an individual license, maintain their good standing and required license and E&O coverage.

Only if you have a partner or Member would you consider an LLC and only for asset protection and the expense write offs. Even with an LLC you will need to name a human member as your “partner” for legal purposes, but this will not protect your commissions. You can have a side agreement or build one into your Operating Agreement to address in writing how your commissions will be paid to you when you are disabled, die or become disillusioned with your LLC or co-member(s). But to execute the agreement you will need to have a Succession Plan in place. So, an LLC alone is not the solution.

But What will Protect Commissions?

After much research on commission protection and from listening to brokers, we have developed a legal and affordable plan for brokers who want to protect their commissions over a lengthy period of time without starting a LLC, without transferring commissions until ready, and without dealing with a complex long term binding contract. Our flexible solution is the Succession Plan.

✓We developed the Succession Plan based on the independent nature of solo brokers.

✓The Succession Plan is a solution for continuing commissions in a life event while you are alive as well as providing payment to your loved ones after your death.

✓When you discover the cost and complexity of setting up and managing an LLC along with the troubles finding a solid LLC co-owner or member/partner who will work with you on your terms for years to come, you can compare the Succession Plan and see how flexible and affordable the CCAA is compared to other planning options.

✓The Succession Plan is the solution but can work with commissions assigned to an LLC or S-Corp

The Succession Plan enables a solo broker to avoid getting locked into setting up an LLC and committing to pay the added costs of owning an LLC. Since the LLC has mandatory legal, insurance and accounting costs totaling several thousand annually, we decided to bring a less expensive option that is flexible enough to adjust to the changes time brings on the broker and their loved ones. LLCs on the other hand may seem to make sense but



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the reality is you still need to pay to set it up and create and complete a complex LLC succession plan that always depends on finding a trusted partner and negotiating terms of a commission succession plan. Why, because most insurance carriers require a licensed successor to continue commission payment to your LLC after your death. So, add to this the work required to get through the difficult task of selecting the right LLC partner who will meet your needs today and 20 years from today or more, and on terms you both agree to.

Based on our research, solo brokers report they love running their own business while they find transferring their commissions to another agent or agency a concern. Most independent brokers are also concerned about committing their commission income for the rest of their life to an LLC and trusting that their LLC co-owner will use good faith in overseeing their commissions after they pass. Relying on someone to treat your loved ones as you hope they would when you pass away gets complex under an LLC format. Also, trusting that your LLC co-member will agree with you on all decisions ranging from time off to retention plans to employee supervision is especially difficult for many solo brokers. Now this step is no longer necessary to protect commissions.

The Succession Plan is the most flexible solution for a broker who wants to maintain independence while protecting their commissions over their lifetime.

Unfortunately, most brokers still have no plan to protect their commissions. For many, the Succession Plan is easy to understand, involves a three-page agreement to get started, and brokers can avoid complex tax, licensure, and accounting processes included with all LLCs. So, if you want to avoid making the required changes to your business practices in order to comply with LLC rules and regulations and avoid the problems that come with making long term decisions now that require trust in a person or company for the rest of your professional career and beyond, take a look at the Succession Plan.

While alive the plan enables the broker to keep their commissions while providing a cost and time effect method to guarantee their commissions will be paid to loved ones based on their wishes.

Many of our broker colleagues prefer to keep control of their commissions even though they know at their premature death that without a plan, the result is a total loss of commissions. The loss of commission does not need to happen.

We speak with brokers every month about their plans to protect their commissions. We answer questions about selling their book, how to transfer their commissions, and how they can get the most possible payment from any process involving slowing down or stepping aside.

The fact is commissions stop when a broker dies without a plan. So please develop a commission protection plan and complete the plan and then update your plan regularly.

Call Us

For a no obligation 10-minute phone call

we can answer your questions about commission protection planning.



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