

## *A new look at life*

A vision for greater value Are you a candidate for a life insurance settlement?

There's a new way to look at your life insurance policy. Did you know that it can be transformed into an unexpected source of income, freedom, and flexibility — for enjoyment while you're still alive?

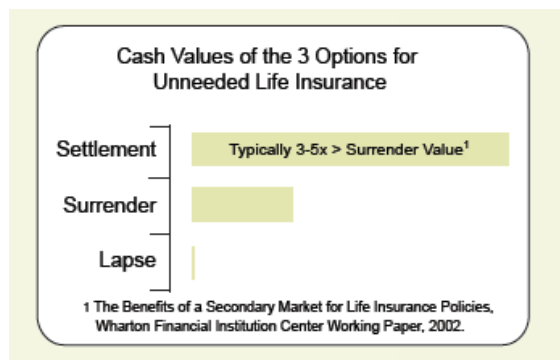
A vibrant secondary market for life insurance policies has come into being. So, hidden in your safe deposit box or bottom drawer may be an under-appreciated asset — your life insurance policy.

Until recently, policy owners of unwanted coverage had limited alternatives — they let policies lapse or surrendered them for cash value. But now, your insurance carrier no longer holds control over the options you have within your life insurance policy. You may be able to sell your policy in the secondary market for far more than the cash surrender value. For this reason, life insurance settlements should be considered.

## *A vision for greater value*

Are you a candidate for a life insurance settlement?

ANY policy owner — individuals, corporations, charities or trusts — may sell ANY life insurance policy, including group and term policies. The typical life settlement candidate is a person over age 65 who no longer requires the death benefit of a life insurance policy. Not everyone should sell his life insurance policy. But, everyone should consider the option as part of a complete wealth management strategy. Annually, about \$1.5 TRILLION of life insurance is surrendered or allowed to lapse<sup>2</sup> by those who no longer want to maintain coverage, or for whom premiums have become burdensome. Situations that create an opportunity to consider a life insurance settlement include:



1. A safety net for beneficiaries is no longer needed due to lifetime wealth accumulation, changes in marital status or the maturity of children.
2. The policy owner is over insured or wishes to dispose of an existing policy to execute a more appropriate one.
3. Sale, dissolution, or bankruptcy of a business eliminates the need for a key-person policy.
4. Tax law changes have reduced the need to subsidize estate taxes.
5. Insurance policy premiums have become unaffordable.
6. Business loans secured by the policy have been repaid.
7. Stock market volatility has diminished retirement income.
8. A need exists to fund a long-term care program.
9. A charity or named beneficiary, develops an immediate need for funds.
10. A family or medical emergency arises.

### **Life Insurance Settlement Case Studies\***

#### ***Charitable Gifting***

Insured: 78 year-old male

Type of policy: Universal Life

Face amount: \$2,500,000

Cash surrender value: \$69,819

Offer price to policy owner: \$638,000

Value created: 914% above cash surrender value

**Reason for policy sale:** Policies were purchased for estate planning needs. After retirement, the premiums (with respect to gifting) became difficult to make, so the policies were sold and the proceeds were donated to charity.

#### ***Estate Planning***

Insured: 79 year-old male

Type of policy: Universal Life

Face amount: \$657,147

Cash surrender value: \$49,867

Offer price to policy owner: \$229,808

Value created: 460% above cash surrender value

**Reason for policy sale:** No longer needing the policy for

estate planning purposes, it was sold for more than four times the cash surrender value.

### ***Key Man***

Insured 67 year-old male

Type of policy: Universal Life

Face amount: \$800,000

Cash surrender value: \$78,000

Offer price to policy owner: \$363,000

Value created: 465% above cash surrender value

**Reason for policy sale:** Policy no longer needed due to upcoming retirement. Proceeds from policy used to retire earlier than planned.

### ***Policy Lapse***

Insured: 74/72 year-old male/female

Type of policy: Second to die Universal Life

Face amount: \$1,000,000

Cash surrender value: \$3,800

Offer price to policy owner: \$195,000

Value created: 5,132% above cash surrender value

**Reason for policy sale:** The couple's policy had very little surrender value and was on the verge of lapsing. By choosing a life settlement transaction the couple turned the policy into a source of new found income.

\* Case study examples are based on cases reviewed by Life Settlement Insights, are solely intended to demonstrate the potential benefits of life settlements in the financial planning process, and should not be relied upon as indicators of future purchase prices.