

*the*  
*Wealth Transfer*  
*group*

# **CREATING VALUE OUT OF AN EXISTING LIFE INSURANCE POLICY**

**EVALUATING THE OPTION  
OF A LIFE SETTLEMENT**

# CLIENT NEEDS

## WHAT OPTIONS ARE THERE FOR YOUR LIFE INSURANCE POLICY?

### KEEP THE POLICY

- Continue the insurance coverage and premium payments.
- Restructure the coverage and premium.
- Take a loan or withdrawal from the cash value.

### END THE POLICY

- Surrender the policy for cash value.
- Replace the current policy through an exchange.
- **Sell the policy through a life settlement.**

## HOW DOES SELLING A POLICY BRING ADDITIONAL VALUE?

- Life settlement is the sale of an existing policy to an institutional third party.
- It provides a source of cash that can fund current financial needs today.
- It creates additional proceeds beyond the surrender value.
- It reduces the expense of current and future insurance premiums.
- **It may be a better solution than other options.**

## MOST INSURANCE AGENTS AND ADVISORS OVERLOOK LIFE SETTLEMENTS AS AN OPTION.



**49%**

of financial advisors admit they lack knowledge about life settlements.<sup>1</sup>



more than  
**\$112 Billion**

of policy face value lapses by seniors over age 65 each year.<sup>2</sup>



**8 out of 10**

policyowners didn't know they could sell their policy.<sup>3</sup>

## WHEN DOES SELLING A POLICY MAKE SENSE?

**1**

### CLIENT CRITERIA

Individuals 65 and older  
Experienced a decline in health  
No longer need or want the policy

**3**

### POLICY CHANGES

Premiums are no longer affordable  
Poor performance  
Planning to surrender or lapse

**2**

### CLIENT NEEDS

Immediate cash flow needs  
Retirement income  
Long-term care funding

**4**

### PLANNING CHANGES

Estate taxes no longer a concern  
Sale of a business  
Key Person Policies no longer needed

# TESTIMONIALS



## WHEN PREMIUMS BECOME UNAFFORDABLE

“The premium increased unexpectedly and I was no longer able to afford it. I was going to have to let the policy lapse.”

—*Jim E.<sup>4</sup>, Age 88*

“The premiums on my 88-year-old client quadrupled and he was unable to afford it. I recommended a life settlement and got an offer of 30% of the death benefit.”

—*Ben S.<sup>4</sup>, Trustee*

Death Benefit: \$2.1 million  
Current Surrender Value: \$200,000  
Offer to Client: \$625,000

**Value Created: 3.1x Surrender Value**



## FUNDING MEDICAL EXPENSES AND RETIREMENT NEEDS

“I needed money to pay for long-term care costs, and my retirement assets were getting low.”

—*Maria S.<sup>4</sup>, Age 91*

“My client was spending down her retirement quickly, and soon would have to sell everything to qualify for Medicaid. Selling her unneeded policy provided additional funds to cover increasing retirement and long-term care expenses.”

—*John V.<sup>4</sup>, Investment Advisor*

Death Benefit: \$500,000  
Current Surrender Value: \$25,000  
Offer to Client: \$165,000

**Value Created: 6.6x Surrender Value**



## BUSINESS INSURANCE POLICY NO LONGER NEEDED

“I owned a large policy to cover my business, but now that I have retired, I don't need it anymore.”

—*Steve F.<sup>4</sup>, Age 75*

“My client was using a large portion of his retirement spending to fund an insurance policy that was originally intended to cover the business that was sold. Selling the policy dramatically improved his retirement liquidity.”

—*Rachel S.<sup>4</sup>, CPA*

Death Benefit: \$3.5 million  
Current Surrender Value: \$190,000  
Offer to Client: \$836,000

**Value Created: 4.4x Surrender Value**



## ESTATE PLANNING INSURANCE NO LONGER NEEDED

“I was paying premium on a policy originally intended for estate taxes, but I no longer have the tax liability.”

—*Mike J.<sup>4</sup>, Age 82*

“My client took out a policy to cover future estate taxes, but today's estate taxes are no longer a concern. Selling his unneeded life insurance policy for cash today helped free up his retirement spending.”

—*Grace K.<sup>4</sup>, Estate Attorney*

Death Benefit: \$4 million  
Current Surrender Value: \$373,000  
Offer to Client: \$970,000

**Value Created: 2.6x Surrender Value**

# YOUR LIFE SETTLEMENT ADVOCATE

## WHY DO YOU NEED AN ADVOCATE?

Through our life settlement brokerage, we are able to offer several advantages over other life settlement providers.

### AN ADVOCACY PROCESS AND DEEP PROFESSIONAL EXPERTISE.

We have combined our 57+ years' experience in the life insurance business with a proven life settlement advocacy process to create \$165B of additional value for clients over the past 15 years.

### A DEDICATED TEAM OF EXPERIENCED PROFESSIONALS.

You have the assurance that a team of experienced professionals is working behind the scenes on your behalf to expertly execute the myriad of steps required in a life settlement.

### FIDUCIARY DUTY TO THE SELLER.

We supervise a life settlement transaction as a security and have a fiduciary duty to represent the seller, doing what is in their best interest. By contrast, a direct provider or buyer has a duty to the investor, not the seller.

### A COMPETITIVE AUCTION PROCESS.

Through our broker, we favorably position and market your policy to multiple buyers and negotiate to obtain the best possible offer. We have historical insight into pricing and managing offers. Without this support, you may not know what is a fair price for your policy.



## LIFE SETTLEMENT ADVOCACY PROCESS



### CASE EXAMPLE: WE WORK IN THE CLIENTS' BEST INTERESTS

After seeing an advertisement to sell a life insurance policy, A 75-year-old retired CFO contacted a direct-to-consumer buyer to learn more. He received an offer of \$210,000 for his \$2.1 million policy. Now aware of the ability to sell his policy, the CFO consulted with us for a second opinion. After marketing the policy to our network of providers and facilitating a competitive auction process, we were able to receive an offer of \$409,000.

Life settlement providers are buyers looking to purchase policies at the lowest price possible on behalf of their funding source. By partnering with us, the client was able to receive almost twice the original offer compared to a direct model. As a life settlement broker, our goal is to obtain the highest value offer for the policy owner and their beneficiaries.

# NEXT STEPS

## GETTING STARTED WITH LIFE SETTLEMENTS IS EASY FOLLOW THESE THREE SIMPLE STEPS:

1

### CONTACT US FOR AN INITIAL REVIEW

- Name
- Date of birth
- Brief summary of the situation

2

### WE HELP YOU GATHER NECESSARY DOCUMENTS

- In-force policy illustration
- Current policy information
- Additional health information if necessary

3

### WE PREPARE A POLICY EVALUATION

- Preliminary estimate of market value
- Consult with you about the case
- Determine how to move forward



**A life settlement is an option that should be considered for anyone seeking to create value out of their existing life insurance policy.**

## IMPORTANT CONSIDERATIONS

- **Valmark Securities, Inc. (Valmark):** Valmark and its registered representatives act as brokers on the transaction and will receive a fee from the purchaser. Valmark supervises all life settlements like a security transaction.
- **Life Settlement Providers:** Valmark markets policies only to Life Settlement Providers. Life Settlement Providers are generally responsible for maintaining the policy after sale, and receive their funding from institutional buyers. Valmark reviews Life Settlement Providers periodically to affirm that their funding sources are institutional buyers, carry errors and omissions insurance, and are licensed in the state of sale.
- **Institutional Buyers:** Institutional buyers include qualified institutions, accredited investors, hedge funds, pension funds, and other qualifying investors. Investors bundle policies to ease any concerns with strangers having access to view millions of death benefit on an individual.
- **Value Created:** is defined as the difference between an estimated offer to client and the cash surrender value.
- **Offer to Client:** is defined as the gross offer on the sale of the policy, less any expenses and commissions.
- In a life settlement agreement, the current life insurance policy owner transfers the ownership and beneficiary designations to a third party, who receives the death proceeds at the passing of the insured. As a result, this buyer has a financial interest in the seller's death.
- A policy owner should consider the continued need for coverage, and, if the policy owner plans to replace the existing policy with another policy, the policy owner should consider the availability, adequacy and cost of comparable coverage.
- Policy owners considering the need for cash should consider other less costly alternatives to a life settlement.
- When an individual decides to sell their policy, they must provide complete access to their medical history, and other personal information, that may affect their life expectancy. This information is requested during the initial application for a life settlement.
- After the completion of the sale, there may be an ongoing obligation to disclose similar and additional information to the buyer or servicing agent at a later date.
- A life settlement may affect the insured's ability to obtain insurance in the future and the seller's eligibility for certain public assistance programs, such as Medicaid, and there may be tax consequences.
- Individuals should discuss the taxation of the proceeds received from a life settlement with their tax advisor.
- A life settlement transaction may require an extended period of time to complete. Due to complexity of the transaction, fees and costs incurred with the life settlement transaction may be substantially higher than other securities.
- Once the policy is transferred, the policy owner has no control over subsequent transfers.

*The examples given are hypothetical and are for illustrative purposes. Each client's experience varies, and there is no guarantee that a life settlement will generate an offer greater than the current cash surrender value. In such cases, the client can always surrender their policy to the carrier if the coverage is no longer needed. This material is intended for informational purposes only and should not be construed as legal or tax advice or investment recommendations. Consult a qualified attorney, tax advisor, investment professional or insurance agent about the issues discussed herein.*

<sup>1</sup> *The Hidden Value in your Life Insurance*, 2016, <http://www.lifehealthpro.com/2013/09/16/>

<sup>2</sup> *Life Insurance Settlement Association*, 2015, <https://www.lisa.org/life-policy-owners/consumer-blog/blog/2015/02/25/lapsed-life-insurance-policies-an-astounding-number>

<sup>3</sup> *The Life Settlements Report*, 1/31/2019, <https://pipeline.thedeal.com/article/14851134/index.dl>

<sup>4</sup> *Client and advisor names have been changed to protect confidentiality.*

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