



# INTRODUCTION TO LIFE SETTLEMENTS

## WHAT IS A LIFE SETTLEMENT?

- A life settlement is the sale of an existing life insurance policy on the secondary market to a third party for fair market value.
- The owner sells the policy in exchange for a lump sum settlement that can be higher than cash surrender value.\*
- The third party institutional investor becomes the owner of the policy, makes premium payments, and collects the death benefit at the insured's death.
- With institutional investors, policies are owned in large blind trusts with other policies. This can help assure client confidentiality.

## POSSIBLE LIFE SETTLEMENT CANDIDATES

- Individuals age 65 and older (70 years or older if female)
- Life expectancy of 14 years or less
- Decline in health from original policy issue
- Life insurance policies with a net death benefit of \$250,000 or more (no maximum)
- Policy type UL, GUL, SUL, VUL and Convertible Term (Sometimes WL)
- Owner can be an Individual, Trust, or Corporation
- Premium should be 5% of DB (or less) and CSV should be 15% of DB (or less)

## REASONS WHY YOU MAY WANT TO SETTLE YOUR POLICY

- Insurance is no longer needed and you would like to sell the policy for a lump sum cash payment
- Term policy is nearing the end of a term period. You can convert to a permanent product and receive, through a life settlement, proceeds for an asset that will terminate if not converted.
- Current policy is underperforming and you would like to get into a new guaranteed product (alternative to a 1035 exchange)
- You would like to exchange current policy for a variable one that provides equity exposure (alternative to a 1035 exchange)
- Business is sold or changes are made that result in insurance no longer being needed
- Changes within a buy/sell agreement that make insurance no longer necessary
- An executive retires and receives unneeded insurance through a deferred compensation arrangement
- Policies held within a trust are no longer meeting the original trust plan objectives.
- Family situations that require changes in insurance (divorce, etc.)
- Funds are required to focus on personal needs such as retirement, long-term care insurance or family emergencies.

In a life settlement arrangement, the current policy owner transfers the ownership and beneficiary designation to a third party, who will receive the death proceeds upon the death of the insured. As a result, this buyer has a financial interest in the seller's death. When an individual decides to sell their policy, he or she must provide complete access to his or her medical history, and other personal information, that may affect his or her 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 at a later date. A life settlement may affect 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 with their tax advisor. ValMark Securities considers a life settlement a security transaction. Individuals considering life settlements should carefully read the entire sales agreement, consult their advisors, and consider all available options before selling their policies. ValMark Securities and its registered representatives act as brokers in the life settlement transaction and may receive a fee from the purchaser. A life settlement transaction may require an extended period of time to complete. Due to the complexity of the transaction, fees and costs incurred with the life settlement transaction may be substantially higher than other securities. Neither ValMark Securities nor its registered representatives provide tax advice. ValMark Securities considers Life Settlements as a security transaction. Securities offered through ValMark Securities Inc., Member FINRA, SIPC.

\*Actual offer will be dependent on your particular age and health status, the condition of your life insurance policy and other requirements of the secondary market at the time of your settlement.