



¹ Client name has been changed to protect confidentiality. | ² The gross offer will be reduced by commissions and expenses related to the sale. | 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. Securities offered through Valmark Securities, Inc. Member FINRA/SIPC.

ADDRESSING RISING UNIVERSAL LIFE COSTS WITH LIFE SETTLEMENTS

THE SITUATION

Larry Randall¹, an 88-year-old retired corporate executive, purchased a \$1.2 million Universal Life policy in 2002. The original planned premium after an initial deposit of \$180,000 was \$21,778 which he paid every year. His insurance company recently notified him that his annual premium would increase to \$85,139 – nearly four times the planned amount – in order to carry the policy to age 100 (it's maturity date) at the current guaranteed interest rate of 4%.

Larry was unable to pay the higher premium and consulted us. We recommended that he consider a life settlement before allowing the policy to lapse. Larry's life expectancy is 36 months.

THE OUTCOME

Valmark's life settlement team worked with multiple providers through a bidding process to negotiate settlement offers resulting in a total gross offer of **\$725,000³** (before commissions and expenses) or **60% of the Death Benefit**.

SUMMARY

POLICY TYPE	Universal Life
DEATH BENEFIT	\$1,200,000
INITIAL PREMIUM	\$21,778
INITIAL CREDITING RATE	6.0%
CURRENT CREDITING RATE	4.0% (guaranteed)
CURRENT PREMIUM	\$85,139
LIFE EXPECTANCY	36 months

LIFE SETTLEMENT OFFER	\$725,000 Gross³
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LIFE SETTLEMENT DISCLOSURE

- 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.
- Valmark and its registered representatives act as brokers on the transaction and may receive a fee from the purchaser.
- Valmark Securities supervises all life settlements like a security transaction.
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