



CASE STUDY



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 THE RISK OF OUTLIVING COVERAGE

LIFE SETTLEMENT ENABLES WIDOW TO PROVIDE FOR HEIRS & HER LATER YEARS

THE SITUATION

Mary Wilson,¹ an 87-year-old widow, owned a \$3 million Universal Life policy that was purchased 11 years ago for the benefit of her three children. When she received a notice that her premium payments would more than double in order to keep the policy in force until age 95, Mary was worried for several reasons:

- She would wind up paying another \$600,000 in premiums to keep her policy in force until age 95.
- With a life expectancy of between 3 and 5 years, there was at least a 23% chance she would live beyond the maturity of the policy. Consequently, her heirs would not receive any inheritance.

Since Mary was uncomfortable with the risk of outliving her policy's coverage, we suggested that she consider a life settlement as an alternative to paying \$600,000 more in premiums. This would still allow her to leave a sizable legacy to her heirs while providing a comfortable nest egg for her later years.

THE OUTCOME

Our life settlement team worked with multiple providers to negotiate settlement offers resulting in a total gross offer of **\$1,225,000²** (before commissions and expenses).

SUMMARY

POLICY TYPE	Universal Life
DEATH BENEFIT	\$3,000,000
CASH SURRENDER VALUE	\$860,000
PLANNED PREMIUM	\$34,332 Policy Will Lapse In 1 Year
NEW PREMIUM	\$73,535 To Age 95
LIFE EXPECTANCY	3—5 Years

LIFE SETTLEMENT OFFER	\$1,225,000 Gross²
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THE TAKEAWAY

According to a recent GAO study, Life Settlements can often deliver more than the surrender value to seniors. Providers have more institutional money available to bid on policies than they have had in the last several years. If the possibility of your client outliving their coverage is imminent, consider a life settlement as an alternative to lapsing or surrendering the policy.



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.
- 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.
- Individuals should discuss the taxation of the proceeds received with their tax advisor.
- ValMark Securities supervises all life settlements like a security transaction.
- 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.
- ValMark and its registered representatives act as brokers on the transaction and may receive a fee from the purchaser.
- 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.
 - If you are an investor or a buyer of a life insurance policy then you should be aware that:
 - Investment in a life settlement is highly speculative.
 - Although a substantial profit may be realized, a substantial loss is also possible.
 - The death benefit may never be paid.
 - Additional funds may need to be invested to pay premiums if the insured lives substantially longer than expected.
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