



FUNDING LONG TERM CARE EXPENSES

WITH A LIFE SETTLEMENT

THE SITUATION

Maria Smith¹ is a 91-year-old widow who is extremely concerned about the high costs of impending long-term care expenses. We suggested a life settlement as a solution for providing immediate funds to help plan for future costs of long term care. Maria's life expectancy is estimated at between 38 and 50 months.

THE OUTCOME

Valmark's life settlement team worked with multiple providers to negotiate settlement offers resulting in a total gross offer of **\$185,000**³ (before commissions and expenses) or **37% of the Death Benefit**. As a result, Maria accumulated enough funds to cover long-term care expenses for nearly two years in a semi-private room in Chicago.

SUMMARY

POLICY TYPE	Fixed Universal Life
DEATH BENEFIT	\$500,000
CASH SURRENDER VALUE	\$500
ANNUAL PREMIUMS	\$60,000 to Age 100
LIFE EXPECTANCY	38 –50 Months

LIFE SETTLEMENT OFFER	\$185,000 Gross³
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THE TAKEAWAY

Assisted living facility costs have risen by 67% since 2004 and the national median cost of a semi-private nursing home room is about \$100,400 annually.² Long-term care expenses can result in the greatest crisis in an elderly person's life and can be a devastating financial burden to family members⁴. The sale of a client's insurance policy in the life settlement market can be a viable solution for funding long term care needs for a client.

¹Client name has been changed to protect confidentiality. | ²Genworth 2018 Cost of Care Survey conducted by CareScout, December 2018. | ³The gross offer will be reduced by commissions and expenses related to the sale. | ⁴National Care Planning Council, *The Need for Long Term Care Planning* – 2019. | 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.



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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