



FAMILY TURNS LIFE POLICY INTO A SALABLE ASSET

LIFE SETTLEMENT PROVIDES FUNDS FOR LIVING EXPENSES & RETIREMENT

THE SITUATION

J. Randall Jones,¹ age 52, owned a \$400,000 Universal Life policy on the life of his father, Roger Jones, age 78. The policy was originally purchased for estate conservation in 1999. However, due to changes in the estate tax law, the policy was no longer needed for estate planning purposes.

Randall, an executive who recently had his job eliminated in a corporate restructure had fallen on hard times and could no longer afford the premiums. He had depleted his liquid assets and needed additional cash for living expenses. Randall was referred to us for financial planning advice, including reviewing the life insurance policy.

We suggested a life settlement as an alternative to lapsing or surrendering the policy because the cash surrender value was only \$200. Randall and his father agreed that a life settlement was the best option. Roger was relatively healthy with a life expectancy between 9 and 11 years.

THE OUTCOME

Valmark's life settlement team worked with multiple providers and was able to negotiate through their bidding process a settlement offer which resulted in a total gross offer of **\$70,000 or 350X the cash surrender value** (before commissions and expenses²).

SUMMARY

POLICY TYPE	Universal Life
DEATH BENEFIT	\$400,000
CASH SURRENDER VALUE	\$200
ANNUAL PREMIUM	\$13,264 to age 100
LIFE SETTLEMENT OFFER	\$70,000 Gross ²

THE TAKEAWAY

Over the last four years, the market has seen a resurgence of activity and capital sources. Life settlement contract transactions shot up by 47% in 2016. 2016 was the busiest year in the secondary market since 2009.³ It is the responsibility of the advisor to educate clients regarding the life settlement option. Consider a life settlement as an alternative to lapsing or surrendering the policy.

¹Client name has been changed to protect confidentiality. | ²The gross offer will be reduced by commissions and expenses related to the sale. | ³"Market Volume Grows 47%"; The Deal, May 25, 2017. | 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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