



¹ Client name has been changed to protect confidentiality. | ² The gross offer will be reduced by commissions and expenses related to the sale.

³ Life Insurance Settlement Association, Before Your Client Lapses That Life Insurance Policy, Consider the Alternatives – 2015. | 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 OBTAINED FOR HEALTHY INSURED

SPECIALTY BUYER NOW AVAILABLE FOR HEALTHY ELDERLY INSUREDS

THE SITUATION

Josephine Levine,¹ a healthy, active 81-year-old widow, and her husband (now deceased) purchased a \$2 million trust-owned life insurance policy in 2011 for estate planning purposes. Due to the reduction in estate tax rates, the policy was no longer needed for estate planning. Also, Josephine's insurance company notified her that her premiums would be increasing significantly to keep the policy in force and she felt they were too expensive.

Since there was no cash surrender value left in the policy, Josephine was going to let the policy lapse. We recommended that she first consider a life settlement. The Life Expectancy (LE) for Josephine was estimated at 161 months. Because of the length of Josephine's LE, it was clear that the policy couldn't be sold within the secondary market.

THE OUTCOME

Although Josephine's Life Expectancy was long, her age and the policy dynamics made her policy attractive to a specialty provider that buys policies on healthy insureds. Valmark was able to obtain a gross offer on the policy of **\$210,000**. (before commissions and expenses).²

SUMMARY

| | |
|-----------------------|------------------------------------|
| POLICY TYPE | Fixed Survivorship Universal Life |
| DEATH BENEFIT | \$2,000,000 |
| CASH SURRENDER VALUE | \$0 |
| ANNUAL PREMIUMS | \$90,613 to age 100 |
| LIFE SETTLEMENT OFFER | \$210,000 Gross² |

THE TAKEAWAY

In a recent survey, 90% of seniors say they would have considered a life settlement if they knew it was an option rather than just letting their policy lapse³. Life insurance is no longer just security for the beneficiaries; it is a valuable asset for owners whose policies may have more value than just the cash surrender value. 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 your client's 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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