



RETIRED ENTREPRENEUR'S ESTATE PLANNING NEEDS CHANGE INSURANCE NO LONGER NEEDED

THE SITUATION

Robert Jones¹ is an 88-year-old former owner and CEO of a successful manufacturing company. Robert had two Universal Life insurance policies originally purchased ten years ago to offset estate taxes on his death. With the recent increases in the estate tax exemptions, there was no longer a need for the insurance coverage. In addition, the original level premium was no longer sufficient to continue funding the policies at a guaranteed level to age 100. Robert did not want to pay the increased premiums. His life expectancy was estimated to be between 3 and 4 years.

THE OUTCOME

Valmark worked with multiple providers to negotiate settlement offers through their auction process, resulting in a total gross offer for both policies of **\$975,000²** (before commissions and expenses) or **60%** of Robert's total death benefit. The gross offer was six times the cash surrender value on the smaller policy and more than seven times the cash surrender value on the larger policy.

SUMMARY	POLICY #1	POLICY #2
POLICY TYPE	Fixed UL	Fixed UL
DEATH BENEFIT	\$1,200,000	\$400,000
CASH SURRENDER VALUE	\$91,373	\$41,950
ANNUAL PREMIUMS	\$72,582 to age 100	\$23,593 to age 100
LIFE SETTLEMENT OFFER	\$725,000 ²	\$250,000 ²

THE TAKEAWAY

Life Settlement transactions in the marketplace grew by 28% in 2018, which reflects continued growth over the last several years.³ It is still believed that 90% of consumers have no knowledge of life settlements. Providers have more institutional money available to bid on policies than they have had in the last several years, making this a favorable time to consider a life settlement as an alternative to lapsing or surrendering your policy.

¹Client name has been changed to protect confidentiality. | ²The gross offer will be reduced by commissions and expenses related to the sale. | ³See "The Settlement Market Grew Significantly in 2018. Did you Participate?" The Deal, June 24, 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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