

OPTIONS FOR CLIENTS WHO NO LONGER WANT OR NEED LIFE INSURANCE



	Surrender	Restructure	Exchange to New Policy	Exchange to Annuity	Exchange to Hybrid Long Term Care	Life Settlement
Overview	<ul style="list-style-type: none"> Receive cash surrender value Income tax due on gain If cost basis exceeds cash surrender value, lose unrecovered basis 	<ul style="list-style-type: none"> Modify to a new use or to make self-supporting Reduce death benefit to let grow or to allow for income from policy Reduce death benefit so policy is self-supporting 	<ul style="list-style-type: none"> Alternative to keep Single premium guaranteed maximum death benefit structure Single premium minimum death benefit structure for distributions 	<ul style="list-style-type: none"> Option if unwilling to keep life policy in any fashion Full cost basis transfers to annuity On existing annuity, infusion of basis can help offset existing annuity gains 	<ul style="list-style-type: none"> Lump sum or limited pay structure Flexibility – provides a guaranteed LTC benefit, death benefit, or a return of premiums 	<ul style="list-style-type: none"> Usually requires health decline since policy issue May get offer that is less than the death benefit and greater than cash surrender value
Considerations	<ul style="list-style-type: none"> No underwriting May incur surrender charges Modified Endowment Contract (MEC) and/or policy loans could trigger tax liability 	<ul style="list-style-type: none"> No underwriting May require carrier approval Could incur surrender charges on face reduction Watch for MEC, especially on survivor policies 	<ul style="list-style-type: none"> Requires underwriting May incur surrender charges Watch for policy loans and/or MEC on existing policy Exchange must be "in kind", ownership and insured match on transfer 	<ul style="list-style-type: none"> No underwriting May incur surrender charges Surrender value must be greater than zero Exchange must be "in kind", ownership and insured matches ownership and annuitant Watch for policy loans 	<ul style="list-style-type: none"> Requires simplified underwriting May incur surrender charges Watch for policy loans on existing policy 	<ul style="list-style-type: none"> Requires medical records and a life expectancy report Only certain policies will be desirable Carrier ratings may impact availability
Individual Profile	<ul style="list-style-type: none"> No longer wants to pay premium No longer desires death benefit protection Needs liquidity 	<ul style="list-style-type: none"> Desire to modify existing policy based on current objectives Decline in health from original policy issue 	<ul style="list-style-type: none"> Desire to improve existing coverage based on current objective Individual is still insurable 	<p>Immediate</p> <ul style="list-style-type: none"> Desire for guaranteed income Moderate to long life expectancy <p>Deferred</p> <ul style="list-style-type: none"> No longer wants to pay premium Desire to continue tax deferral and preserve life insurance cash value No immediate income need 	<ul style="list-style-type: none"> Desire to leverage existing life insurance cash value for long term care benefits Death benefit protection not a top priority 	<ul style="list-style-type: none"> Individuals age 70+ Life expectancy of 14 years or less Decline in health from original policy issue

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