



LIFE SETTLEMENTS: A TOOL FOR CHARITABLE ORGANIZATIONS

RECEIVE CASH NOW INSTEAD OF A PROMISE IN THE FUTURE

THE SITUATION

Charity Hospital¹ owned a \$5 million Universal Life policy on the life of Gretchen Rose¹, age 89. The policy was donated to the hospital in 2008 as part of Gretchen's continued charitable donations to the hospital. Gretchen's policy was insured with a lower rated carrier which had recently increased the cost of insurance on the policy. The charity considered a life settlement option for two reasons: (1) To avoid paying the increased premiums and (2) It allowed the charity the option to reduce spending down current assets and gave it immediate access to a large sum of money.

Gretchen was referred to a Valmark Advisor to review this policy plus other policies on the lives of Gretchen and her husband, James. In regard to the policy owned by the hospital, the Valmark Advisor suggested a life settlement as an alternative to paying the increased premiums while avoiding the risk of lapsing the policy. Gretchen's life expectancy was 26-36 months.

THE OUTCOME

Valmark's life settlement team worked with multiple providers through a bidding process to negotiate an optimum life settlement offer which resulted in a total gross offer of **\$2,650,000** (before commissions and expenses).²

SUMMARY

POLICY TYPE	Universal Life
DEATH BENEFIT	\$5,000,000
ORIGINAL PLANNED PREMIUM:	\$240,000
ANNUAL PREMIUMS	\$377,014
LIFE SETTLEMENT OFFER	\$2,650,000 Gross²

THE TAKEAWAY

Over the last four years, the life settlement 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 names have been changed to protect confidentiality. | ²The gross offer will be reduced by commissions and expenses related to the sale.

³See "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.
- 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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