Est. 1948

FUNDING TRUST OWNED INSURANCE

WIDOW USES LIFE SETTLEMENT TO PAY PREMIUMS ON OTHER POLICIES HELD IN TRUST

THE SITUATION

Mary Snow*, an 89-year-old widow, has a sizable net worth, but it has diminished over the last several years. After meeting with her Financial Advisor, they determined that she needed additional liquidity to pay the premiums on her other policies held by the family trust. Mary wanted to assure that the inheritance planned for her family and charities would remain intact.

One of the policies Mary owned was a $6 million Universal Life policy with a cash surrender value of approximately $93,000. Her life expectancy is estimated at between 43 and 67 months.

THE OUTCOME

ValMark worked with multiple providers to negotiate a settlement resulting in a total offer of **$1,565,000 – 26%** of the policy's death benefit and **16 X** the cash surrender value.

SUMMARY

POLICY TYPE	UL
DEATH BENEFIT	$6,000,000
CASH SURRENDER VALUE	$93,000
LIFE EXPECTANCY	43 –67 MONTHS
LIFE SETTLEMENT OFFER	**$1,565,000** (**26%** of DB | **16 X** CSV)

THE TAKEAWAY

According to a recent GAO study, Life Settlements deliver almost 4X the surrender value to seniors. Providers have more institutional money available to bid on policies than they have had in the last several years. Now is the perfect time to begin working on new Life Settlement cases.

*Client name has been changed to protect confidentiality. | 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.

NEW JERSEY LIFE & CASUALTY | CONTACT US | 973.535.0955 | MIKE DRANOFF | MIKED@NJLC.COM

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.
- Securities offered through ValMark Securities, Inc., Member FINRA, SIPC. Advisory Services offered through ValMark Advisers, Inc., an SEC Registered Investment Advisor. 130 Springside Dr., Ste. 300, Akron, OH 44333. 800.765.5201. NJL&C is a separate entity from ValMark Securities, Inc. and ValMark Advisers, Inc.