

# SURVIVORSHIP POLICY

WITH BOTH INSUREDS LIVING



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. 2015 Life Insurance Settlement Association Survey–April 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.

## THE SITUATION

Lucy and Henry Stone<sup>1</sup> are both age 91 and reside in an independent living facility. Their son, Ben, is the trustee of the couple's trust which owns a \$4 million survivorship policy on the parents. The cash surrender value of the policy is \$970,000. Ben and his siblings were concerned that their parents could outlive the age 100 maturity of the policy's death benefit. In other words, if the parents lived beyond age 100, the trust would not receive any death proceeds. Lucy and Henry's life expectancies were estimated to be between 24 and 36 months.

## THE OUTCOME

After meeting with their ValMark Registered Representative, the family decided they preferred the certainty of what they were receiving in a life settlement combined with the savings of future premiums and opted to life settle the policy. ValMark worked with multiple providers to negotiate settlement offers resulting in a total gross offer of **\$2,500,000**<sup>2</sup> (Before commissions and expenses) or **62.5%** of the total death benefit.

## SUMMARY

POLICY TYPE	Universal Life
DEATH BENEFIT	\$4,000,000
CASH SURRENDER VALUE	\$970,000
ANNUAL PREMIUMS	\$232,500 to age 100
<b>LIFE SETTLEMENT OFFER</b>	<b>\$2,500,000 Gross<sup>2</sup></b>

## THE TAKEAWAY

A recent study by the Life Insurance Settlement Association found that \$112 billion of life insurance owned by seniors (age 65 and over) in the U.S. either lapse or are surrendered every year.<sup>3</sup> In our opinion, the potential size of the life settlement market is astounding. Providers have capital to spend but there is not enough policies being marketed. Consider a life settlement as an alternative to lapsing or surrendering your 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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