



TACKLING INCREASED COSTS OF INSURANCE

THE LIFE SETTLEMENT SOLUTION

THE SITUATION

Emily Graham¹ and her husband Charles (now deceased) purchased a \$4 million universal life insurance policy in 1995 for estate planning purposes. Emily, now age 79, was referred by her accountant to a Valmark advisor for a comprehensive life insurance review. The review uncovered the fact that Transamerica* was increasing the cost of insurance on the policy. In order for Emily to maintain the policy through her life expectancy, her planned premium would increase from \$44,000 to \$106,000. Emily couldn't afford the increased premiums and no longer needed the policy for estate planning purposes.

FOUR OPTIONS

The Valmark advisor provided Emily and her accountant with four options: surrender the policy, reduce the death benefit, pay the increased premiums, or the fourth option— sell the policy. Instead of surrendering the policy, Emily took the advisor's recommendation and decided to pursue selling the policy through a life settlement. Emily's life expectancy was between 77 and 113 months.

THE OUTCOME

Valmark's life settlement team worked with multiple providers through a professional bidding process and negotiated a settlement offer which resulted in a total gross offer of **\$1,521,000 or 2.5 X the cash surrender value** (before commissions and expenses²).

SUMMARY

POLICY TYPE	UNIVERSAL LIFE
DEATH BENEFIT	\$4,000,000
CASH SURRENDER VALUE	\$640,602
ANNUAL PREMIUMS	\$106,420 TO AGE 100
LIFE SETTLEMENT OFFER	\$1,521,000 GROSS²

THE TAKEAWAY

A growing number of insurance carriers, including Transamerica*, have increased the cost of insurance on in-force blocks of business. In most states, insurance carriers are not required to tell owners of life insurance policies that they have the option to sell their policy in lieu of lapsing or surrendering their policy.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 name has been changed to protect confidentiality. | ²The gross offer will be reduced by commissions and expenses related to the sale. | ³Insurancenewsnet.com, The New Face of Life Settlements. | 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. Advisory Services offered through LifeCheck, a state Registered Investment Adviser. Securities offered through Valmark Securities, Inc., Member FINRA/SIPC, 130 Springside Drive Suite 300, Akron, OH 44333-2431. 800.765.5201. FDP Wealth Management, LLC is a separate entity from Valmark Securities, Inc. LifeCheck, Valmark Securities, Inc. and their representatives do not offer tax advice. You should consult your tax professional regarding your individual circumstances.

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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