



LIFE SETTLEMENTS OFFER A SOLUTION

WHEN NEEDS CHANGE FOR CORPORATE OWNED LIFE INSURANCE

THE SITUATION

Larry West,¹ a 60-year-old physician, had a \$1.5 million term policy on his life that was owned by the medical group where Larry was one of two corporate officers. Their practice had overcommitted funds to purchase expensive medical equipment. As a result, Larry and his business partner lacked the funds to maintain the policy as well as cover the day-to-day operations of the corporation. Larry was also suffering from cancer that shortened his life expectancy considerably to 82 – 84 months.

Instead of allowing the entire policy to lapse, the partners consulted their ValMark Advisor and decided to retain \$750,000 of the coverage and sell \$750,000 on the secondary market.² This would provide immediate working capital for the practice, while still maintaining some insurance coverage on a key executive.

THE OUTCOME

ValMark's life settlement team worked with multiple providers through a bidding process to negotiate an optimum life settlement offer. Larry's life expectancy and the policy dynamics made this situation attractive to our providers resulting in a total gross offer of **\$202,500**³ (before commissions and expenses).

SUMMARY

POLICY TYPE	Term
DEATH BENEFIT	\$750,000
CASH SURRENDER VALUE	\$0
ANNUAL PREMIUMS	\$27,658 to Age 100
LIFE SETTLEMENT OFFER	\$202,500 Gross³

THE TAKEAWAY

Two of the most common reasons for policyholders to pursue a life settlement are *unaffordable premiums and the need for liquidity*⁴. Corporate-owned policies can be sold to create liquidity for the company when needed. Consider a life settlement as an alternative to lapsing or surrendering the policy.

¹ Client name has been changed to protect confidentiality. | ² A Policy Appraisal Report will generate estimated values for the policy based on certain life expectancies. | ³ The gross offer will be reduced by commissions and expenses related to the sale. | ⁴ Kitces, Life Settlements – Selling A Life Insurance Policy That's No Longer Wanted For More Than Its Cash Value – 2016. | 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.

