



ESTATE TAX CHANGE

REMOVES NEED FOR LIFE INSURANCE



THE SITUATION

Jerry Steel¹ is a 88-year-old former owner and CEO of a successful manufacturing company. He has a net worth of approximately \$4 million. Jerry bought two insurance policies in 2002 when the Federal estate tax exemption was \$1 million and the maximum estate tax rate was 55%.³ Since then, the estate tax exemption in 2015 has increased to \$5.43 million, so Jerry no longer needs the insurance for his estate planning. When meeting with his advisor for his annual policy review, Jerry decided to surrender his policies. Jerry's life expectancy is estimated to be approximately three years.

THE OUTCOME

On Jerry's behalf, the advisor approached the Life Settlement team at ValMark to investigate the option to "sell" versus "surrender" the policies. ValMark worked with multiple providers to negotiate settlement offers resulting in a total gross offer of **\$975,000² for both policies** (before expenses and commissions). The decision to sell the policies resulted not only in the savings of future premiums needed to maintain the policies but the settlement, in lieu of surrendering the policy, resulted in gross offers of more than 60% of the death benefit for each policy.

SUMMARY

	POLICY #1	POLICY #2
POLICY TYPE	Fixed Universal Life	Fixed Universal Life
DEATH BENEFIT	\$1,200,000	\$400,000
CASH SURRENDER VALUE	\$91,373	\$41,950
ANNUAL PREMIUMS	\$72,582 to age 100	\$23,593 to age 100
LIFE SETTLEMENT OFFER	\$725,000 Gross²	\$250,000 Gross²

THE TAKEAWAY

If a policy was purchased in the early 2000s when the estate tax exemption was \$1 million and the maximum estate tax rate was 55%, you may want to consider a life settlement for policies that may no longer be needed for estate planning. Each client's experience varies but in the case described above, the gross offer was *six times the cash surrender value* on the smaller policy and *more than seven times the cash surrender value* on the larger policy.

¹Client name has been changed to protect confidentiality. | ²The gross offer will be reduced by commissions and expenses related to the sale. | ³Internal Revenue Code Section 2001. | 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.

