

KEYMAN INSURANCE POLICIES

LIFE SETTLEMENT SOLUTION



THE SITUATION

James Green ¹, a 67-year-old business owner, was diagnosed with colon cancer. His business partner was his sister-in-law and there had been a contentious historical relationship. The need for cash outweighed the need for the future death benefit.

James owned a \$250,000 universal life policy that was originally obtained for income protection, which he no longer needed since he had retired from the business. The policy had a small loan on it and James no longer wanted to pay the premium and interest due on the loan. A life settlement to create additional capital to pay the premiums on a larger policy was recommended. James' life expectancy was estimated to be between 7 and 13 years.

THE OUTCOME

ValMark worked with multiple providers to negotiate a gross offer (before commissions and expenses) of \$113,000.² James was surprised and excited about the unexpected financial gain from the sale of the insurance policy.

SUMMARY

POLICY TYPE
DEATH BENEFIT
PREMIUM
NET CASH VALUE
POLICY LOAN

POLICY

Universal Life
\$250,000
\$4,594
\$12,651
33,206

LIFE SETTLEMENT GROSS OFFER \$113,000 ²

THE TAKEAWAY

A survey report from "The Market Pulse" for the first quarter of 2014, noted that 65% of those selling their businesses were baby boomers.³ As a result, there is a potential for an influx of corporate-owned or key-man life insurance policies that will enter the market over the next 10-15 years. This is a favorable time to consider a life settlement as an alternative to lapsing or surrendering your policy.

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 First Quarter 2014 Market Pulse Quarterly Survey Report – Published by Pepperdine Private Capital Market Project, Int'l Business Broker Assoc. (IBBA) and M&A Source. | 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.



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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