

# KEYMAN INSURANCE POLICIES

## LIFE SETTLEMENT SOLUTION



### THE SITUATION

James Green <sup>1</sup>, 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.<sup>2</sup> 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 <sup>2</sup>**

### 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.<sup>3</sup> 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.

<sup>1</sup> Client name has been changed to protect confidentiality. | <sup>2</sup> The gross offer will be reduced by commissions and expenses related to the sale. | <sup>3</sup> 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.

