

LOW INTEREST RATES CAUSE PREMIUM SPIKE

NO CASH SURRENDER VALUE IN THE POLICY

THE SITUATION

Rosa Bowman¹ is a 90-year-old widow who purchased two policies totaling \$2.1 million in 2003 for estate planning purposes. Her three children were designated as the owners. After the reduction in estate tax rates, the insurance was no longer needed for estate planning. Also, Rosa and her children received a notice from the insurer that annual premiums on the two Universal Life policies would TRIPLE in order to continue coverage on Rosa to age 100. Neither Rosa nor her children were able to afford the new premiums totaling nearly \$143,000.

Since there was no cash surrender value left in the policy, Rosa and her children were going to let the policy lapse. Their ValMark Advisor recommended that they first consider a life settlement. The life expectancy for Rosa was between 52 months and 69 months.

THE OUTCOME

The short life expectancy and policy dynamics made these policies attractive to our providers. ValMark's life settlement team worked with the client's attorney and multiple providers through the bidding process to negotiate a settlement offer resulting in a total gross offer of **\$750,000²** for **both policies** (before commissions and expenses).

SUMMARY	POLICY #1	POLICY #2
POLICY TYPE	Fixed Universal Life	Fixed Universal Life
DEATH BENEFIT	\$1,500,000	\$595,000
CASH SURRENDER VALUE	\$0	\$0
ANNUAL PREMIUMS	\$102,189 to age 100	\$40,595 to age 100
LIFE SETTLEMENT OFFER	\$535,000 Gross	\$215,000 Gross

THE TAKEAWAY

In a recent survey, 90% of seniors say they would have considered a life settlement if they knew that was an option rather than just letting their policy lapse³. Life insurance is no longer just security for the beneficiaries; it is a valuable asset for owners that may have more value than its cash surrender value. 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.

| ³Life Insurance Settlement Association, Before Your client Lapses That Life Insurance Policy, Consider the Alternatives – 2015. | 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.

