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YOUNG EXECUTIVE FINDS VALUE IN HIDDEN ASSET

CONVERTIBLE TERM INSURANCE

THE SITUATION

Mark Jones[1], a 63-year-old corporate executive, was diagnosed with cancer. Fortunately, he and his wife, Susan, had accumulated a comfortable net worth so that Mark could take early retirement.

Mark owned a $300,000 convertible term policy that was originally obtained for income protection, which he no longer needed. The policy's conversion period was set to expire when the couple's Financial Advisor recommended a life settlement as a possible alternative to lapsing the policy and receiving nothing from the insurance company. Mark's life expectancy was estimated to be between seven and eight years.

THE OUTCOME

ValMark worked with multiple providers to negotiate a gross offer (before commissions and expenses) of $101,063.[2] Mark and Susan were surprised and excited about their unexpected windfall of "found money".

SUMMARY	POLICY
POLICY TYPE	TERM
DEATH BENEFIT	$300,000
ANNUAL CONVERSION PREMIUMS	$7,808
LIFE SETTLEMENT GROSS OFFER	**$101,063** [2]

THE TAKEAWAY

85% of all term policies never result in a claim.[3] A term policy settlement may be able to help a policy owner recoup significant value from a policy that otherwise has no cash value. Providers have more institutional money available to bid on policies than they have had in the last several years, making this 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] According to a leading actuarial firm. | 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.

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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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