

Life settlements are back!

SUMMER 2016

A SECONDARY MARKET FOR LIFE INSURANCE POLICIES

Life insurance is a valuable estate and business planning tool. When circumstances change, a policy owner may not want to or be able to maintain a life insurance policy. Until recently, a policy owner could only go to the insurance company that issued the policy and either cancel the coverage, surrender the coverage for the cash value of the policy or apply for some other non-forfeiture benefit. Over the past several years, institutional life settlement companies have emerged that now give policy owners an attractive alternative to canceling a policy or surrendering the policy for its predetermined cash surrender value.

WHAT IS A LIFE SETTLEMENT?

A life settlement is the sale of a life insurance policy to an institutional third party for more than the cash surrender value and less than the death benefit. The policy is transferred to an institutional third party for a lump sum consideration or in exchange for a portion of the proceeds of policy for life. The institutional third party becomes the owner, beneficiary, and will pay all future premiums on the transferred policy.

CASE STUDY MALE; 66 YEARS OLD \$1,000,000; 10 YEAR CONVERTIBLE TERM POLICY

Cash surrender value of policy: \$0.00
Health: 3 years remission from cancer
Reason for settlement: No need for permanent insurance
Outcome: \$250,000 Settlement offer (net of fees)

CASE STUDY MALE; 86 YEARS OLD; FEMALE DECEASED \$3,000,000; TRUST OWNED SURVIVORSHIP UNIVERSAL LIFE POLICY (LINCOLN)

Cash surrender value of policy: \$20,000;
Annual premiums to maintain coverage: ~ \$200,000
Health: Male in good health
Reason for settlement: Policy is pending lapse. No longer a need for permanent insurance to fund estate taxes since the tax exemption increased.
Outcome: \$1,380,000 Retained interest in Death Benefit without Future Premium obligation.

WHO ARE THE BEST CANDIDATES FOR A LIFE SETTLEMENT?

Anyone with a life expectancy 15 years or less looking to surrender/cancel life insurance. Typically over 70 years old or has a major health condition.
Personal, Trust, or Corporate Owned Life Insurance

WHAT TYPES OF POLICIES CAN BE SETTLED?

All types (Universal life and convertible term are best) Single Life Preferred (Survivor Life is also considered but a more limited market). Policy Face Amount over \$250,000 (lower amounts have a limited market)

WANT TO LEARN MORE?

Feel free to contact us at any time!

MEET KELSEY



Kelsey Flinko joined GWE in July as the new Administrative & Marketing Assistant. Her responsibilities include assisting with administrative and marketing support. She grew up in Pittsburgh, PA and received her Bachelor's in TV & Radio Production. She will receive her Master's in Strategic Communication from The American University in August 2016.

GWE'S NEW CASE DESIGN ASSOCIATE



Cassandra Teti has been promoted from the Administrative & Marketing Assistant to the new Case Design Associate. Her responsibilities include running life insurance illustrations for potential new clients and monitoring existing policies by means of annual reviews and summaries. She received her Bachelor's degree in Marketing from Penn State Behrend.

PLANNING FOR RETIREMENT?

Take a look at GWE's new Retirement Plan Services website at:

www.gweretirementsolutions.com

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