

Most *people know the fair market value of their largest assets and financial holdings.*

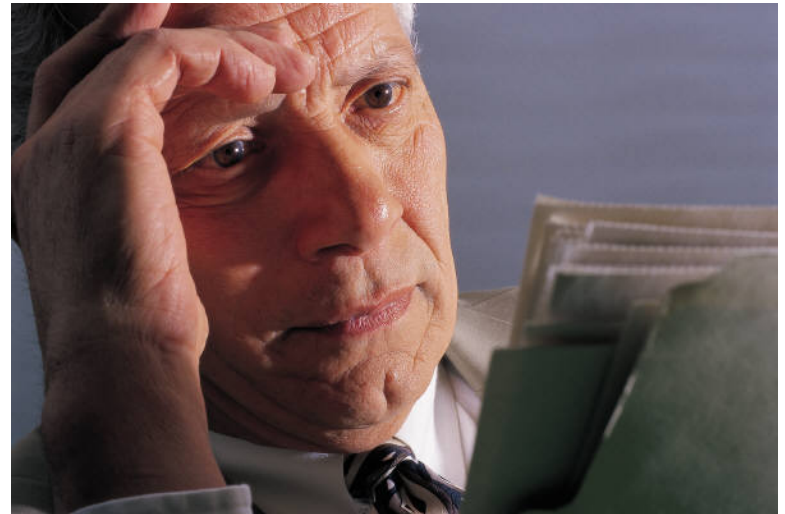
- **Asset valuation is a key component of financial planning and vital to making informed decisions.**



The information general principles and conclusions presented in this report are subject to local, state, and federal laws and regulations. All financial professionals are responsible for complying with all local, state, and federal laws and regulations.

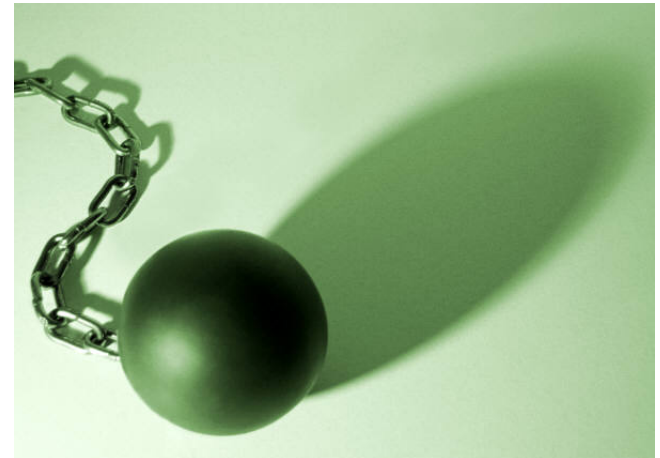
Do you know the fair market value of your Life Insurance policy?

- **You should... and it may not be the cash surrender value given by your insurance carrier.**



In the past, a policy holder had only one way to measure policy value, the surrender value dictated by the policy carrier.

- **This cash value reflected neither the amount of premiums paid into the policy nor the fair market value that other institutions might be willing to pay for that policy.**



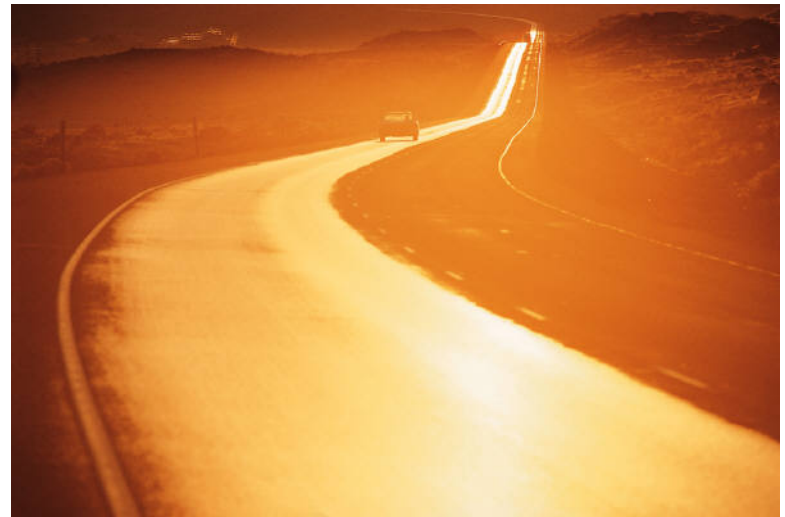
The result, (cash) surrender value of a policy is often lower than the fair market value.

- **Many people have no idea what the true value of their life insurance policy is and still consider the (cash) surrender value as the true value of this asset.**



All this has changed. In the recent past the secondary insurance market has evolved.

- **Banks, mutual funds, and institutional funding companies have seen the value and stability of entering into the secondary life insurance market.**



“The Benefit of a Secondary Market for Life Insurance”

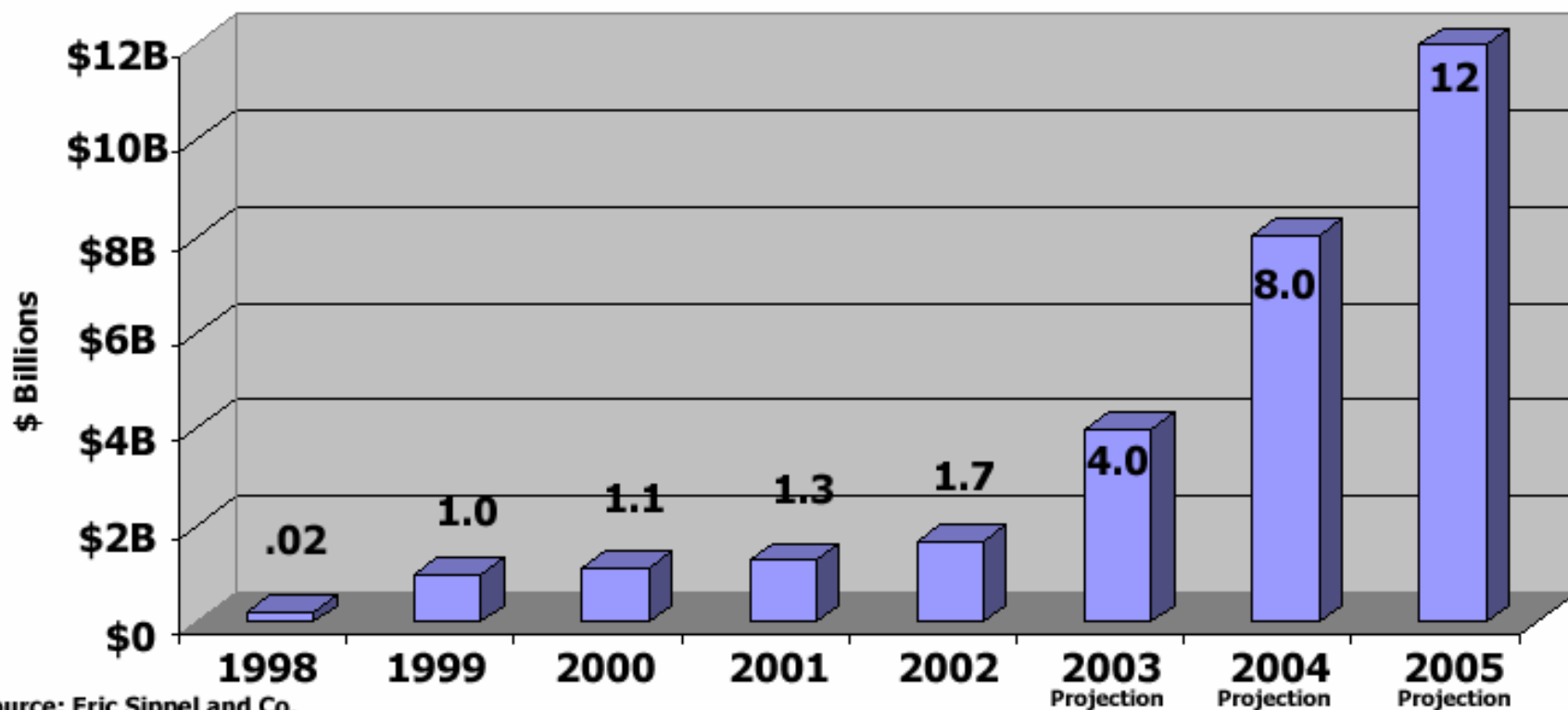
A current article, titled “The Benefit of a Secondary Market for Life Insurance,” appearing in the *Real Property, Probate & Trust Journal* of the American Bar Association, concludes that the secondary market for life insurance is both pro-competitive and pro-consumer.



Now policy holders have a way to derive a fair market value for their policy and a way to liquidate it if a more favorable option exists.



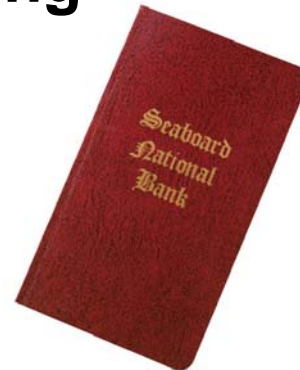
Secondary Insurance Market Growth and Future Projections.



Source: Eric Sippel and Co.

Why is it important to know the Fair Market Value of your Life Insurance.

- **Just as knowing the fair market value of your residence, automobiles, and other hard assets help you to make informed decisions regarding these assets.**



Why is it important to know the Fair Market Value of your Life Insurance.

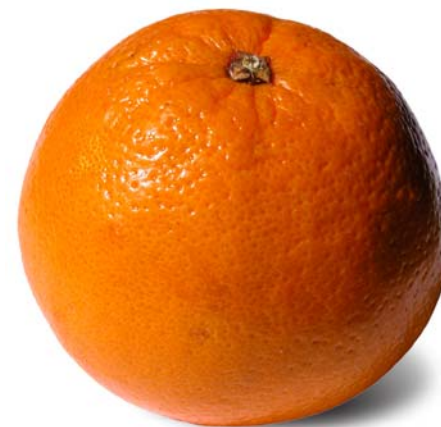
- **Knowing the fair market value for your life insurance policy will help you to make informed decisions regarding your coverage and may create more beneficial options.**



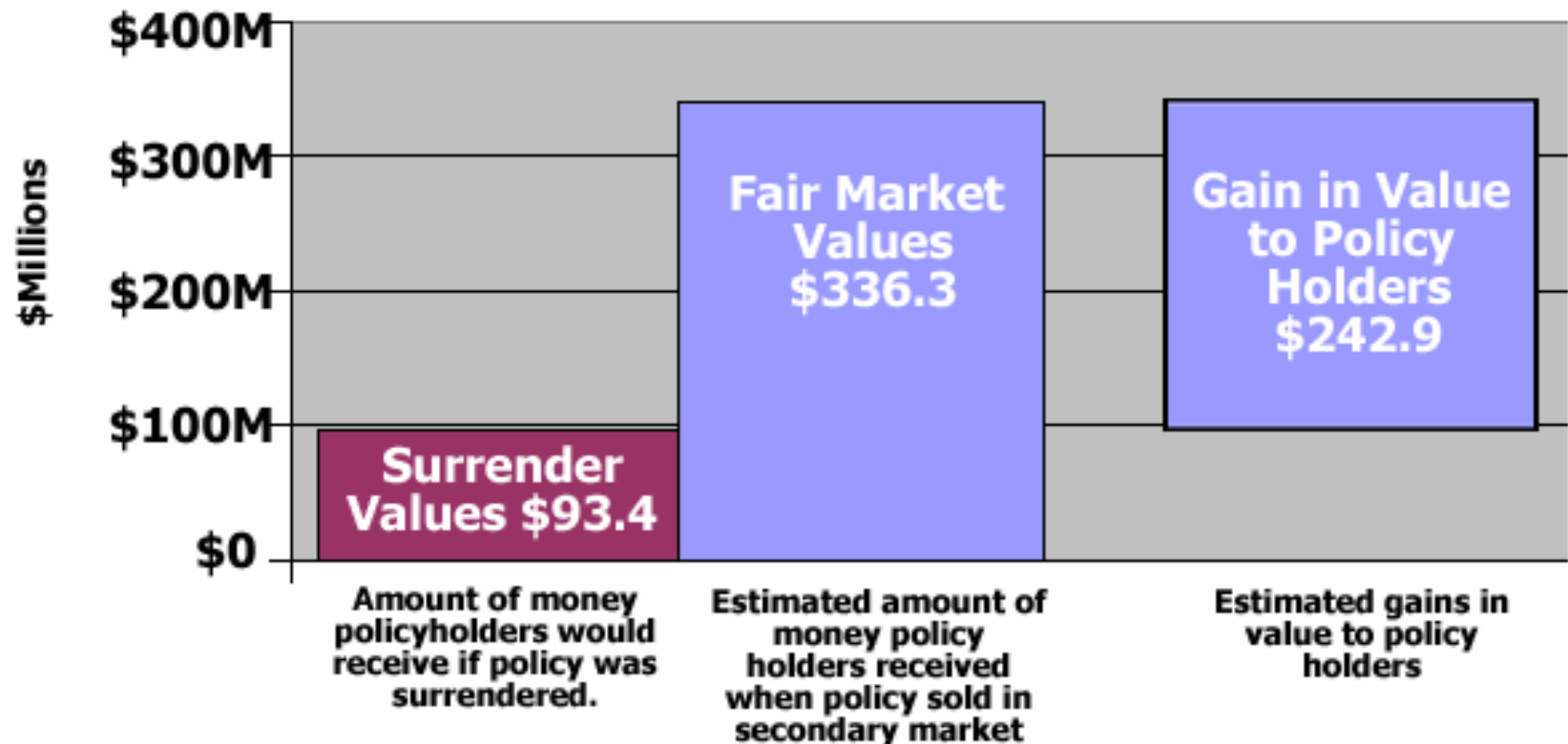
The difference between Surrender Value and Fair Market Value.

- **An industry study conducted, in 2002, at the University of Pennsylvania's Wharton Business School found that:**

Life insurance policies sold in the secondary market for an average of 3.6 times the policy's (cash) surrender value.



Secondary Insurance Market: Fair Market Value Analysis



Source University of Pennsylvania Wharton Business School 2002

There may be a significant difference between cash surrender value and fair market value.

- **You owe it to yourself and a financial advisor has a fiduciary duty to determine the fair market value for all assets including a life insurance policy.**



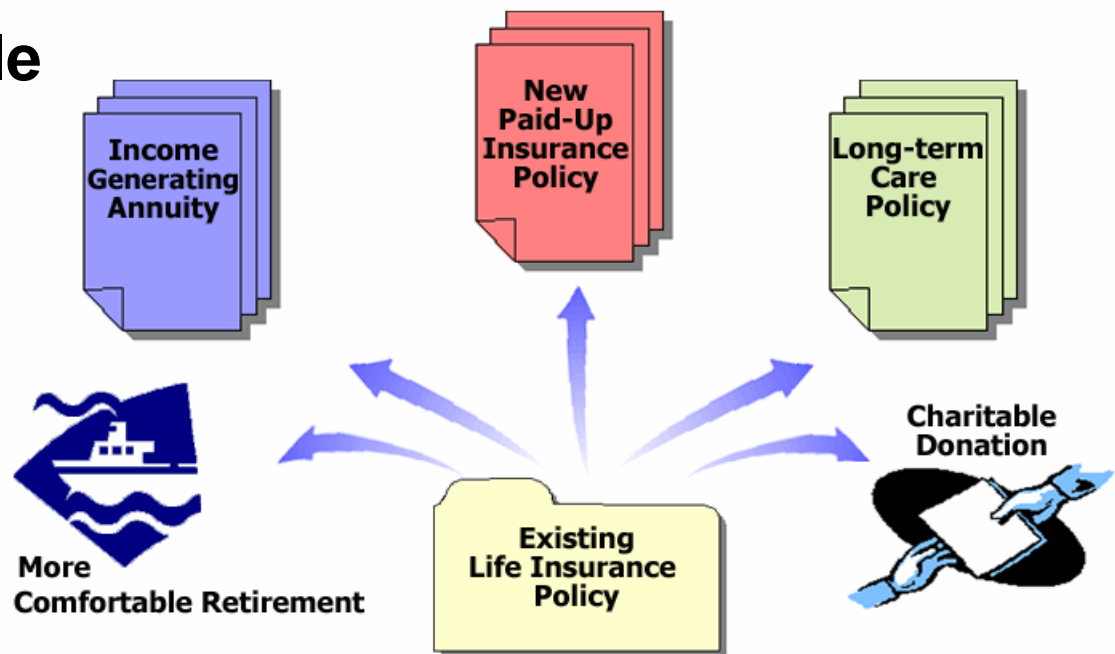
With knowledge come options.

- **Armed with the knowledge of a policies fair market value many more financial alternatives may be open to the policyholder.**



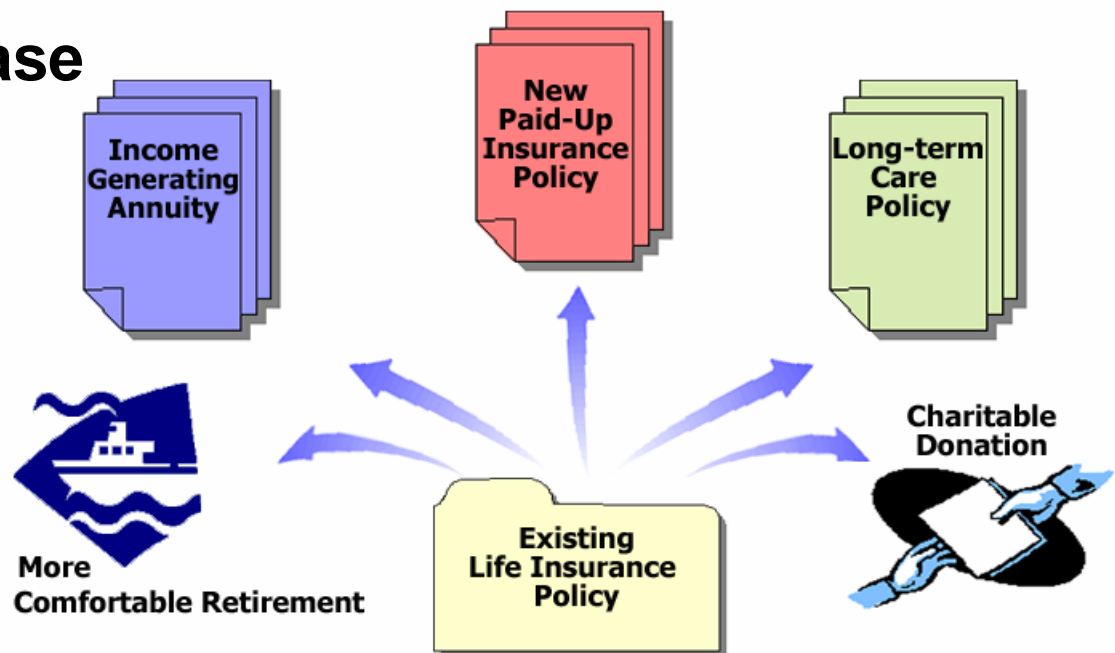
With knowledge come options.

- Reduce or eliminate future life insurance premiums on a new policy
- Create more comfortable retirement years
- A more profitable alternative than surrender or lapse



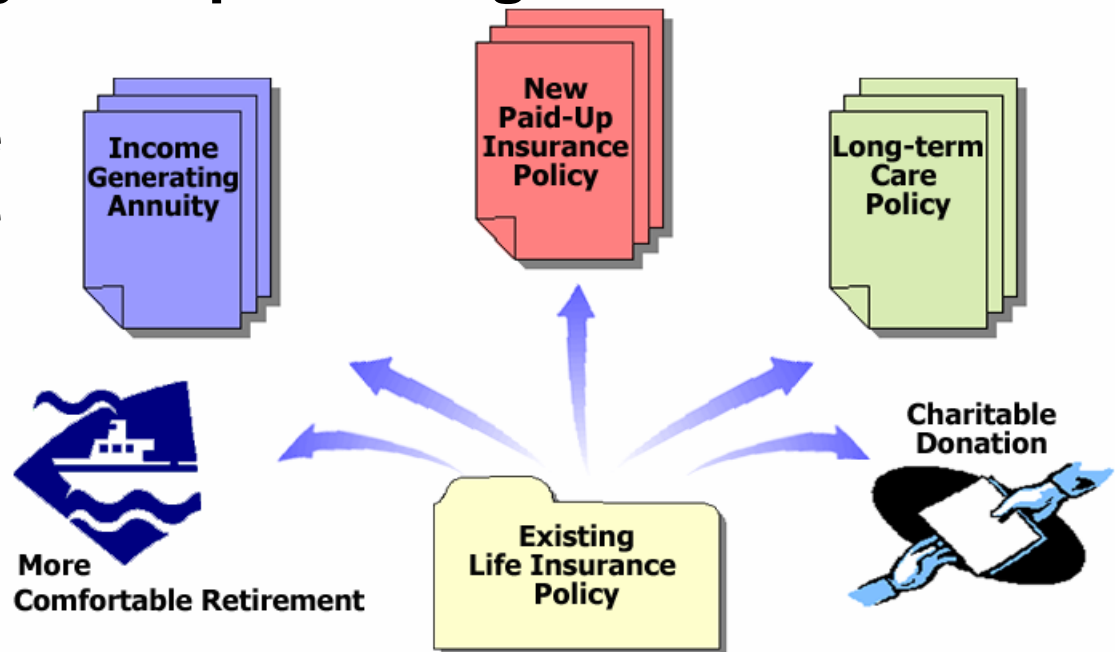
With knowledge come options.

- Fund new needed Annuities, Life Insurance, Long-Term Care or Investments
- Fund a single premium Annuity/Life
- Fund the purchase of a needed survivorship policy



With knowledge come options.

- **Settle personal or business debts proactively**
- **Bestow cash gifts to family members or charities**
- **Maintain a lifestyle despite changes in finances or health**
- **Activate income from an inactive asset**



Case Study #1 - Some examples of how others have benefited.

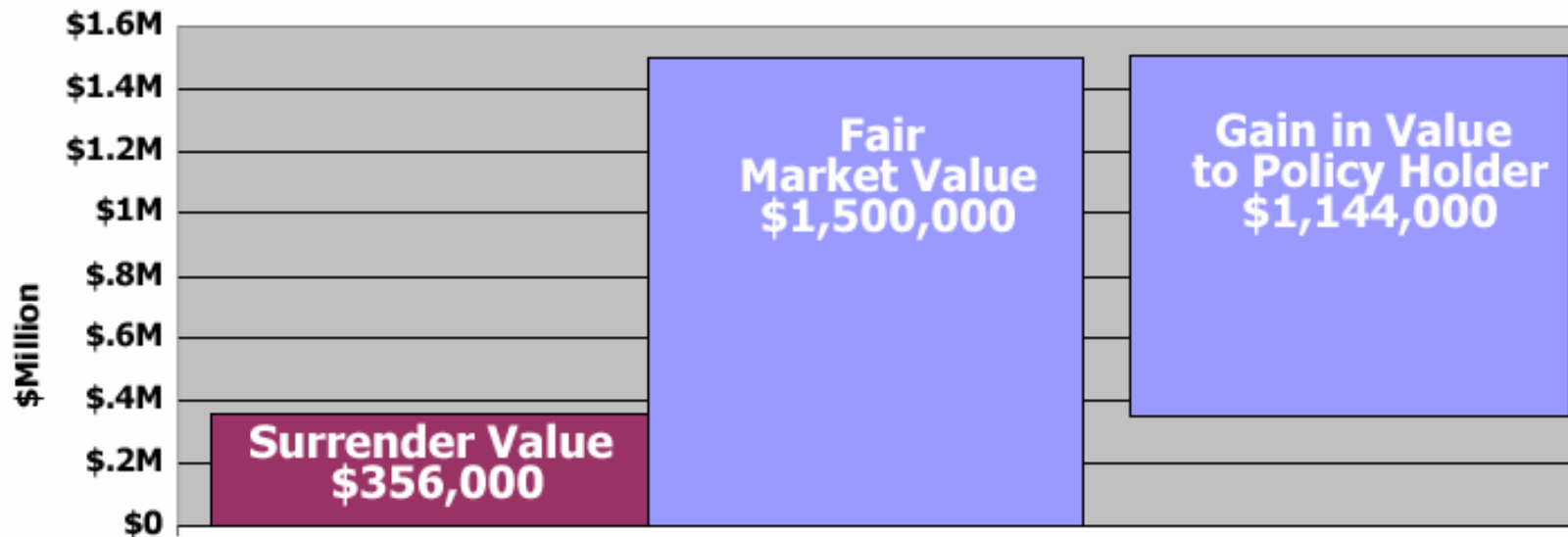
- **Objective:** Reduce insurance coverage **Coverage Amount:** \$10,000,000
- **Profile:** Female/82/Moderate Health **Premium:** \$125,000/Annually
- **Type of Insurance:** Universal Life **Surrender Value:** \$356,000

- **Action:** The client's estate tax burden was reduced and her Advisor recognized she was over insured. Her Advisor suggested selling the existing policy and applying the newly "found money" to a more suitable policy with reduced or eliminated premiums.

- **Benefit:** The Life Settlement offer of \$1,500,000 to the client was an increase of \$1,144,000 above the insurance company's surrender value. The Advisor put a portion of the newly "found money" into a new policy and eliminated further premiums for the client. The client also received a cash benefit of \$740,000.

Case Study #1 - Some examples of how others have benefited.

- **Surrender Value:** \$356,000
- **Life Settlement Payout to client (Fair Market Value):** \$1,500,000
- **Gain in Value to Policy Holder from a Life Settlement:** \$1,144,000



Case Study #2 - Some examples of how others have benefited.

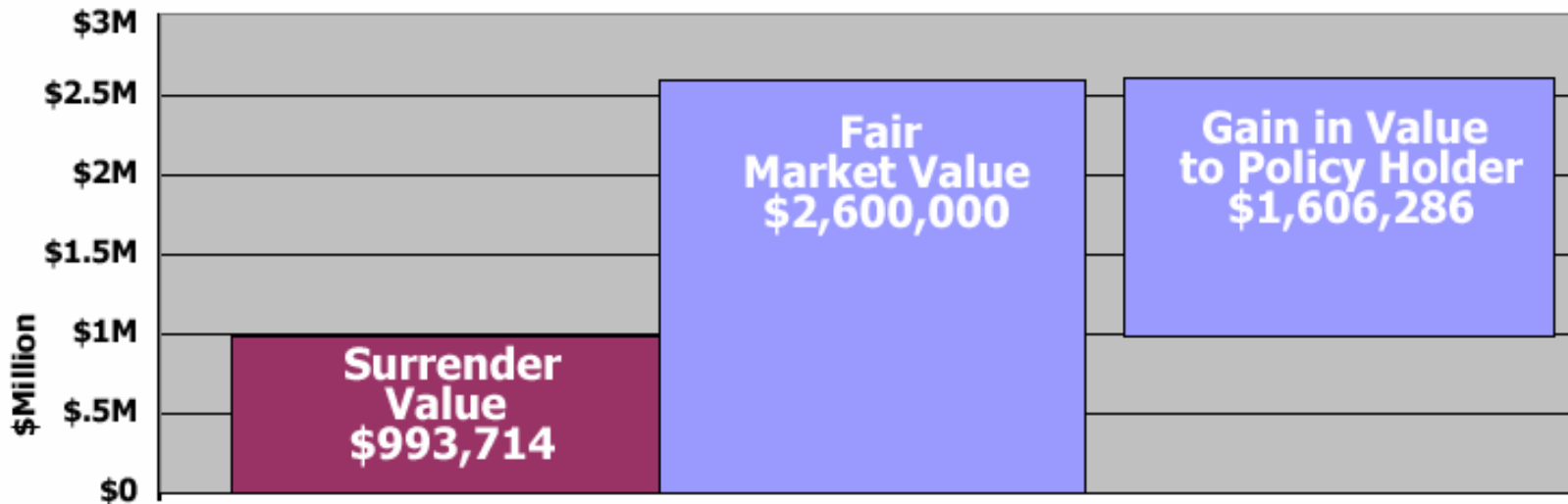
- **Objective:** Eliminate future premiums **Coverage Amount:** \$8,700,000
- **Profile:** Male/77 /Moderate Health **Premium:** \$36,077/Annually
- **Type of Insurance:** Universal Life **Surrender Value:** \$993,714

- **Action:** The client asked his Advisor if there was a way to eliminate his future premiums with the Life Settlement option. The Advisor recommended they apply for a no obligation Life Settlement quote.

- **Benefit:** The offer to the client was \$2,600,000, a total of \$1,606,286.00 above his current surrender value. The Advisor put a portion of the newly “found money” into a new policy and eliminated the premiums for the client. The client also received a cash benefit of \$500,000.

Case Study #2 - Some examples of how others have benefited.

- **Surrender Value:** \$993,714
- **Life Settlement Payout to client (Fair Market Value):** \$2,600,000
- **Gain in Value to Policy Holder from a Life Settlement:** \$1,606,286



Case Study #3 - Some examples of how others have benefited.

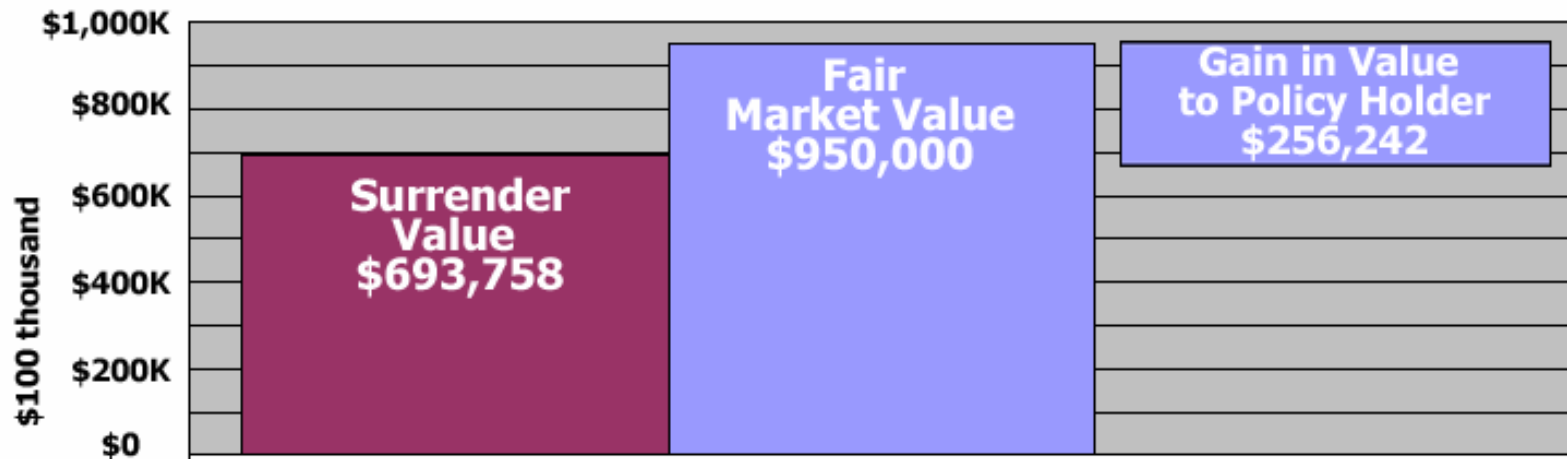
- **Objective:** 12 yr coverage w/o premiums **Coverage Amount:** \$3,000,000
- **Profile:** Female/77, Male/78, Moderate Health **Premium:** \$82,403/Annually
- **Type of Insurance:** Survivorship **Surrender Value:** \$693,758

- **Action:** This couples' Insurance Advisor identified that this policy would only run out 8 years without premiums. The family needed coverage that would last 12 years without payments.

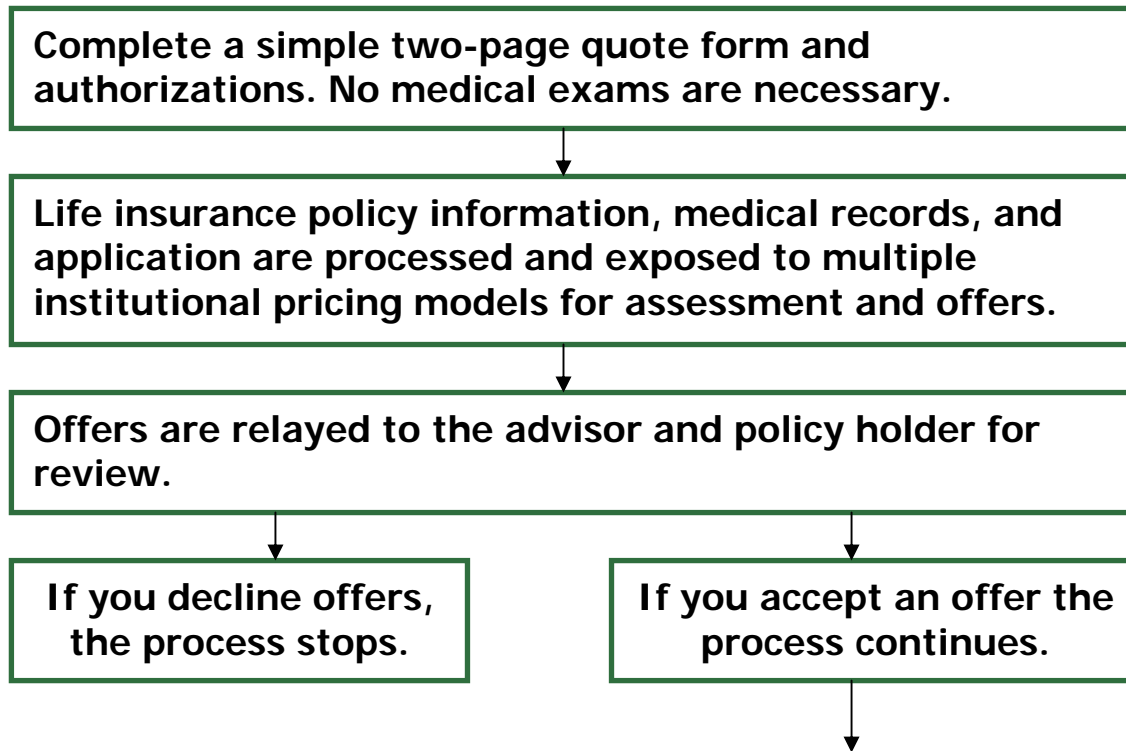
- **Benefit:** A Life Settlement quote of \$950,000 created additional funds to carry the new policy to the needed period without out of pocket expense.

Case Study #3 - Some examples of how others have benefited.

- **Surrender Value:** \$693,758
- **Life Settlement Payout to client (Fair Market Value):** \$950,000
- **Gain in Value to Policy Holder from a Life Settlement:** \$256,242



The Life Settlement Quote Process



The Life Settlement Quote Process

(Continued)

When an offer is accepted, closing documents are sent for review and completion by the policy owner.



Upon receipt of completed documents, the life settlement funds are placed into an escrow account.



Upon confirmation of ownership change from the insurance company, the escrow money is released to the former policy owner.



Most Life Settlement transactions have a 15 day rescission period after former policy owner receives his/her funds.

Frequently Asked Questions

- **How is Life Settlement used for financial planning?**
 - **While the proceeds are unrestricted and can be used in any way, most Life Settlements are utilized as a funding tool to purchase other needed financial products, such as:**
 - **An Annuity Investment – providing you with a constant stream of income**
 - **Retirement Savings**
 - **A more cost-effective Life Insurance Policy**
 - **Investments**
 - **Long-term Care Planning**

Frequently Asked Questions

- **What if life insurance coverage is still needed?**
 - In many cases, using all or part of the money created by the Life Settlement to over fund a new policy can be a popular way to reduce or eliminate future life insurance premiums.
- **What policies qualify?**
 - Whole Life
 - Term Life
 - Universal Life
 - Variable Life
 - Key-Man Policies
 - Group Life
 - Corporate-Owned Policies
 - Joint Survivorships
 - Variable and Fixed Annuities

Frequently Asked Questions

- **What does (Cash) Surrender Value mean?**
 - **The (cash) surrender value is the amount of funds to be returned to an insurance policy or annuity holder in the event that their policy is terminated before its maturity or the insured event. In many cases, this value is significantly less than if the policy was sold in the secondary market as a life settlement.**
- **How long does the process of selling my policy take?**
 - **The offer process can occur within two weeks. If you accept an offer, you will normally see payment within one month, approximately six weeks total from the time of qualification to receipt of proceeds.**

Frequently Asked Questions

● **How much will be received for a policy?**

● **There are many factors that determine the offer amounts:**

- **Age**
- **Premiums**
- **Health**
- **Type of Policy**
- **Insurance company rating**
- **Policy size**
- **Number of quotes received/
competitive bidding process**

- **As a general rule: age, health and future premiums are the primary factors that determine the amount of the Life Settlement offer. Competitive bidding assures you have found the highest offer. Please ask your financial advisor for more details.**

Frequently Asked Questions

● **Are proceeds taxable?**

● **As with all financial decisions, you should consult a professional tax advisor. In general, the proceeds are:**

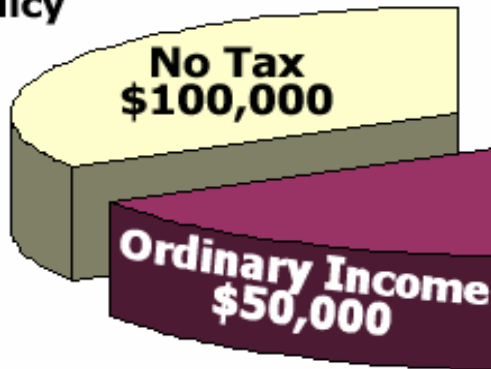
- **Tax-free up to the amount of premiums paid in to policy**
- **Taxed as ordinary income up to (cash) surrender value**
- **Taxed as capital gains above the cash surrender value**

Frequently Asked Questions

● **Are proceeds taxable?** (Continued)

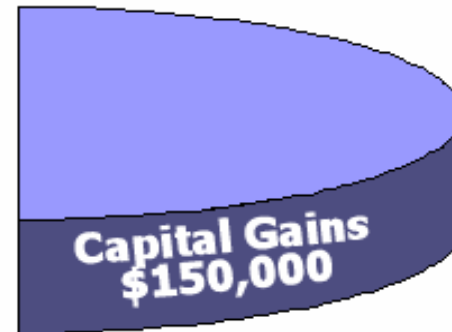
- For example if a client paid \$100,000 in premiums, the (cash) surrender value was \$150,000, and the life settlement offer was \$300,000. The tax would be assessed as follows.

Tax free up to the amount of premiums paid into the policy



Taxed as ordinary income on the amount above the premiums paid in up to the surrender value

Taxed as capital gains above the cash surrender value



Frequently Asked Questions

- **Are there any restrictions with the proceeds from a Life Settlement?**
 - **The Life Settlement proceeds are unrestricted and can be used in any way you choose.**
- **What if I change my mind?**
 - **Life Settlement transactions usually have a 15-day rescission period. The previous policy owner can get the policy transferred back and return the funds within fifteen days after receiving payment. Rescission periods vary by state.**