

# LEAVE A FAMILY LEGACY

ENTREPRENEUR SELLS PART OF TERM POLICY TO LEAVE A FAMILY LEGACY

## THE SITUATION

Ted Bailey\*, a 59-year-old entrepreneur, had fallen on hard times during the economic crisis. As a result, he was forced to file bankruptcy to discharge business loans for which he was personally responsible. Ted had a \$1 million term policy which needed to be converted within the next several months. However, he could not afford to pay the premium for a permanent policy. Ted's life expectancy was estimated to be between 3 and 6 years.

## THE OUTCOME

After consulting with his Financial Advisor, Ted decided to sell \$750,000 of the term policy and retain \$250,000 of term coverage. ValMark worked with multiple providers to negotiate settlement offers resulting in a total gross offer of **\$295,000** (before commissions and expenses) **plus reimbursement of the first quarter's premium**. The gross offer was **39%** of the total death benefit.

## SUMMARY

POLICY TYPE	Term
DEATH BENEFIT	\$1,000,000 (SOLD \$750,000)
CASH SURRENDER VALUE	\$0
ANNUAL PREMIUMS	\$17,800
LIFE EXPECTANCY	3-6 YEARS
<b>LIFE SETTLEMENT OFFER</b>	<b>\$295,000 GROSS   \$250,000 NET TO CLIENT</b>

## THE TAKEAWAY

Ted's life settlement enabled him to retain part of his insurance, leave a legacy to his family, and enjoy his remaining years comfortably and with dignity. Ted's situation is one of many client scenarios in which a life settlement can provide an attractive alternative to lapsing or surrendering a policy.

\*Client name has been changed to protect confidentiality. | The gross offer will be reduced by commissions and expenses related to the sale. | 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.



## 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.
- Securities offered through ValMark Securities, Inc., Member FINRA, SIPC. Advisory Services offered through ValMark Advisers, Inc., an SEC Registered Investment Advisor. 130 Springside Dr., Ste. 300, Akron, OH 44333. 800.765.5201. NJL&C is a separate entity from ValMark Securities, Inc. and ValMark Advisers, Inc.