



LIFE SETTLEMENT BROKER IMPROVES OFFER TO CLIENT

ADVANTAGES OF USING A PROFESSIONAL AUCTION PROCESS

THE SITUATION

Rob Masterson¹ is a 55-year-old entrepreneur who purchased a \$1.75 million term policy 13 years ago when he bought an interest in a manufacturing business. The policy was collaterally assigned as security to the seller of the business. The security interest by the holder of the assignee was for 40% of the death benefit and the remainder was assigned to benefit Rob's wife.

Rob recently learned that he had cancer and needed cash immediately to help defray medical expenses and other bills. After consulting his accountant, he was referred to us to review his insurance policy. When we suggested a life settlement as one of Rob's options, Rob was surprised to learn that he did not need to wait to die to benefit from at least part of the death benefit. Rob's life expectancy was estimated between 19 and 36 months.

THE OUTCOME

Valmark's Life Settlement Team worked with multiple providers through a professional auction process. After six rounds of bidding, the team negotiated a settlement offer which resulted in a total gross offer of **\$1,280,000**. (before commissions and expenses).² In the meantime, Rob had gone direct to a single provider and had obtained an offer of \$1,100,000. Valmark's auction process increased the gross offer by \$180,000 or **16%**.

SUMMARY

POLICY TYPE	Term—Non-Convertible
DEATH BENEFIT	\$1,750,000
CASH SURRENDER VALUE	\$0
LIFE SETTLEMENT OFFER	\$1,280,000 Gross²
	\$180,000 MORE THAN THE "DIRECT" OFFER FROM A SINGLE PROVIDER

THE TAKEAWAY

Life Settlement Brokers owe a fiduciary duty to the seller, while life settlement *providers* owe a fiduciary duty only to the provider. Their goal is to pay a minimal amount to buy the policy. Using an auction process that allows *multiple* providers to participate helps to ensure that a seller receives fair market value for his or her policy. Over the last four years, the life settlement market has seen a resurgence of activity and capital sources. Life settlement contract transactions shot up by 47% in 2016. 2016 was the busiest year in the secondary market since 2009.³

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 See "Market Volume Grows 47%"; The Deal, May 25, 2017. | 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.
- Fee-Based Planning offered through M3 Advisors, a State-Registered Investment Advisor. Third Party Money Management offered through Valmark Advisers, Inc., a SEC Registered Investment Advisor. Securities offered through ValMark Securities, Inc. Member FINRA/SIPC. 130 Springside Drive, Akron, Ohio 44333. (800) 765-5201. M3 Advisors and Martin Financial Group, LLC are separate entities from ValMark Securities, Inc. and ValMark Advisers, Inc.