



KEY MAN POLICY NETS BIG RETIREMENT SUPPLEMENT

LIFE SETTLEMENT ENABLES RETIREE TO SELL POLICY AFTER RETIREMENT

THE SITUATION

Matthew Irvin,¹ an 88-year-old retired executive, owned a \$360,000 Universal Life policy that was originally a Key Man Policy funded by his previous employer. Upon Matthew’s retirement, the company had transferred ownership of the policy to him. The policy is considered taxable income based on the value of the policy and resulted in Matthew having to pay approximately \$40,000 in income taxes.

In addition to the taxes, Matthew would be responsible for paying an annual premium of \$23,340 to age 100. Matthew decided he did not want to pay any premiums going forward and planned to surrender the policy and use its cash value to supplement his retirement. We suggested that he consider a life settlement as an alternative to surrendering the policy. Matthew’s life expectancy was estimated at between 26 and 30 months.

THE OUTCOME

Valmark’s Life Settlement team worked with multiple providers to negotiate settlement offers resulting in a total gross offer of **\$250,000³** (before commissions and expenses) or **69% of the Death Benefit and 2.7 X the Cash Surrender Value**. The end result is that Matthew was able to leverage his \$40,000 tax payout into a cash payment of over \$200,000 through a life settlement

SUMMARY

POLICY TYPE	Fixed Universal Life
DEATH BENEFIT	\$360,000
CASH SURRENDER VALUE	\$93,000
ANNUAL PREMIUMS	\$23,340 to Age 100
LIFE EXPECTANCY	26–30 Months

LIFE SETTLEMENT OFFER **\$250,000 Gross³**

THE TAKEAWAY

Approximately 10,000 baby boomers will retire every day over the next 20 years². As a result, there is a potential for an influx of corporate-owned or key-man life insurance policies that will enter the market. Now is a favorable time to consider a life settlement as an alternative to lapsing or surrendering your life insurance policy.

¹ Client name has been changed to protect confidentiality. | ² Washington Post: Do 10,000 Baby Boomers Retire Every Day? July 24, 2014. | ³ 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.
- 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.