



INCREASED COST OF INSURANCE

PROMPTS LIMITED PARTNERSHIP TO SELL POLICY THAT'S UNAFFORDABLE

THE SITUATION

Jon Smith,¹ an 83-year-old entrepreneur, had a \$1.3 million Universal Life policy on his life that was owned by a Limited Partnership. The policy was purchased in 1995 when the planned premium was \$13,000. The insurance carrier had recently and unexpectedly increased the cost of insurance on this policy as well as on other contracts it had issued during the 1990s. The premium to maintain Jon's policy to age 100 was raised to \$95,000—over seven times the original planned premium.

Since the policy was no longer needed and the premium had climbed significantly, the partnership decided to investigate a life settlement instead of surrendering the policy for the current cash surrender value. Jon had coronary issues with an estimated life expectancy of 55 to 79 months.

THE OUTCOME

ValMark's life settlement team worked with multiple providers through a bidding process to negotiate an optimum life settlement offer. This resulted in a total gross offer of **\$315,000**² (before commissions and expenses).

SUMMARY

POLICY TYPE	Universal Life
DEATH BENEFIT	\$1,300,000
CASH SURRENDER VALUE	\$173,000
ORIGINAL PLANNED PREMIUM	\$13,000
ANNUAL PREMIUMS	\$95,264 to Age 100
LIFE SETTLEMENT OFFER	\$315,000 Gross²

THE TAKEAWAY

Life Settlements can provide an attractive alternative to lapsing or surrendering an unwanted or unaffordable policy. A recent study found that life settlement investors purchased \$1.7 billion of U.S. life insurance face value in 2014, bringing the total active life settlements market to more than \$32 billion.³

¹Client name has been changed to protect confidentiality. | ²The gross offer will be reduced by commissions and expenses related to the sale. | ³Conning Inc., a leading investment management company serving the global insurance industry, 2015 Life Settlement Study | 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.