



LIFESSETTLEMENT

ADVISORS



Selling a Life Insurance Policy: FAQs for Financial Advisors



As a financial advisor, you are probably trying to find ways to help your clients every day. You can tell your clients that they need to save more or help them with some tax advice, sure, but putting a substantial amount of cash in your client's pockets is a bit trickier. What if I told you that there is a way to do this, while also being able to save your clients money every month? It may sound a little too good to be true, but helping your clients obtain a life settlement payout by selling an unneeded or unwanted life insurance policy, even term insurance, can do just that. In fact, I want to take some time to answer your questions in order to help you see that the process can provide significant benefits to your client as well as you, the advisor. So, let's start at the top.

So, what is a Life Settlement, anyway?

This is probably the first question your client will ask. A life settlement is a term that is used to describe what you get for selling an unwanted or unneeded life insurance policy for immediate cash. This is a secondary market for life insurance, no differently than selling a car, home or any other valuable asset that you may no longer want or need.

It's a way to leverage a portion of the death benefit of the policy by selling it in order to receive more than the cash surrender value but less than the death benefit of said policy. Anyone who sells a life insurance policy must have a medically-determined life expectancy. For more information about how you can sell an insurance policy for a life settlement, check out [this article](#).



Okay, but why should my clients consider a Life Settlement?

We buy life insurance when we are younger to protect our children and loved ones. Let's say one of your clients is a business owner, and they bought life insurance to protect their business assets. Fast forward, the children are now grown and have good jobs, the home is paid off, the client has retired or sold the business and the need for the coverage has gone away. Why keep paying the premiums when the policy no longer serves its intended purpose?

That's just one clear example of the benefit of a life settlement. There is a plethora of other reasons a life settlement could help such as paying for unexpected medical bills, bulking up retirement savings, or helping fulfill retirement dreams. If you want to learn more about why a life settlement might be a good fit for your client, you can [read more here](#).



This sounds great so far. Can you tell me a little more about how it works?

Absolutely. First off, Life Settlements usually apply to those who are over 70 years old and have a life insurance policy that has a death benefit of \$100,000 or more and the insured has had a change in health since the policy was issued. An exception to this guideline would be a male or female in their 60s to early 70s that has multiple chronic medical conditions and a significant health change has taken place since the policy was issued. The most important thing to know about life settlements is that your clients can get a substantial amount of money above the cash surrender value if they have any life insurance policies that they no longer need. They might not need them anymore because their kids are grown and financially secure, the home is paid off and they have plenty of retirement savings. If this is the case, your client can get substantially more than they would if they let the policy lapse or surrendered the policy back to the insurance company. It has the added bonus of helping your clients save money each month because they are no longer making monthly or annual premium payments. You simply send us a copy of the policy, most recent annual statement, current illustration and our completed questionnaire. Once the due diligence is complete, we send out the case to institutional and private equity buyers to make an offer. We will present all offers for a no obligation review.



So far so good, but as much as I love helping my clients, can I earn a commission for this?

The answer to this is a resounding yes. Life settlements can be a lucrative way to make money as a financial advisor. One of the most popular ways advisors are compensated is with a term conversion. The insured is going to let the term policy expire or lapse until the advisor informs the insured the term policy can be converted and sold.

If you have a client that you think a life settlement is a good match for, give us a call and we will talk about how to get you the compensation you deserve for your time and energy spent as you help your client reap the benefits of a life settlement cash payout. We love fostering relationships with financial advisors and jump at the opportunity to talk to you about your clients that qualify in order to help you streamline the process of offering this service to each of them. In the end, your clients will be happy and your business will grow. It's a win/win type of situation for everybody involved.

I do not have any errors and omission coverage for this type of transaction and that could be an issue.

That is not a problem as we provide, at no cost to you, E & O coverage for our referring advisors.



I am swamped at work as it is. How many hoops will I have to jump through here?

We know that you have no interest in becoming an expert in the life settlement market. We have built our business model around the trusted advisor. We are the expert and will do all the work related to any transaction you bring to our firm. That's why you don't have to worry about spending a lot of time on this transaction, because you have us, and we are the experts you need to answer any of your questions or your client's questions. You just send us your client's information and we will take the ball from there. Of course, we will keep you up-to-date on our progress as we go, all the way through the end of the process. At that point, we will send you your commission check and wait for you to contact us with more opportunities to help your other clients.

Some of my clients need money fast. How long will this take?

We get that many people might have medical emergencies or are facing retirement with a smaller budget than they would like and need money as soon as possible. After you qualify and submit the required documents, there are just a few more steps before there is money in your and your client's pockets. We work with independent third-party underwriters, who determine longevity by reviewing the medical file of the insured. The next step is to get the case in front of institutional and private equity buyers that, if interested, will make an offer. If an offer is accepted, a closing packet is prepared and sent out to the seller for completion. The timeline for the process can vary, depending on a few factors like the policy type and health records, but we work hard to make selling a life insurance policy as fast as possible. Start to finish is 90 days!

Is there a way to know what my client will receive for the policy?

There are many factors that go into what a life settlement payout will be. The age and gender of the insured, current medical conditions and the cost to keep the policy in force are the major factors which determine the policy's worth. Are you selling a full policy or just a portion of it? What kind of policy is it? Any type of the following life insurance policies is considered:

Universal
Life

Joint Survivorship
Universal Life

Joint Survivorship
Whole Life

Convertible
Term Life

Indexed
Universal Life

Whole
Life

The type of policy isn't the only thing considered. We also need to know if there are any loans taken out against the policy, the current cash surrender value, as well as the amount of the death benefit. The health of the seller is also weighed in this process. All that said, a qualified policy will have a larger payout from a life settlement than you would from surrendering it back to the insurance company or letting it lapse.



This all sounds great. How do I get my client qualified?

Each client is different. While the benefits of a life settlement are great, not everyone is qualified for one. The ideal candidate is a male or female in their mid-70s or older that has had a change in health since the policy was issued. An exception to this guideline would be a male or female in their 60s to early 70s that has multiple chronic medical conditions and a significant health change has taken place since the policy was issued. Other factors considered are the following:

- ◆ Having a medically determined life expectancy of 15 years or less
- ◆ Having a policy that has a minimum death benefit of \$100,000
- ◆ Having a policy that has moved beyond its two-year contestability period
- ◆ Having a policy loan

The first thing you need to do with your client is to use [our qualification calculator](#) in order to get a good idea about whether a life settlement is right for them. The calculator is a great tool, but it's not a definite answer. It's just a starting point. Below you will find a few qualifying questions to ask the insured:

1. What is their age and gender?
2. What are their current medical conditions?
3. What type of policy do they have?
4. What is the death benefit?
5. Are there any policy loans?
6. What is the cash surrender value?

If you have any questions at all, contact us and we'll answer all of your questions about your client's needs to get them on the fast track to getting a cash payout they can use for whatever they need.



So, it sounds like my clients can use their money from a life settlement any way they want to.

That's right. Somebody who receives a settlement can choose to do what they please with the money. Many people have specific things that they use the money for like medical bills, house renovations, or long-term care insurance. However, others might use it to live on during retirement or give it to a charity of their choice. After the settlement is agreed upon, what they do with the money is up to them. Here you can [read about](#) how they might use a life settlement to check off items on their retirement bucket list.



You mentioned agreeing upon the settlement. If we don't like the offer, do we have to take it?

Absolutely not. A life settlement goes two ways. It is a negotiation between the seller and a life settlement company, so if your client doesn't like an offer, there is no pressure to take it. Usually, before a deal is done, a seller will have the terms looked over by a lawyer or financial advisor to make sure that all concerns are addressed, and wishes are accounted for—that's where you come in as a trusted advisor!

What if my client decides they don't want to sell their entire policy? Can we sell a portion of it?

Yes. A life insurance company will usually allow a policyholder to divide a policy into multiple parts. This usually only happens with policies with a death benefit of \$150,000 or more, but your clients can sell a portion of a policy while keeping a percentage for themselves. If you want more information on why someone would want to split a policy up, and what some of the advantages of doing so are, [read on here](#).

Okay, here's the last big question - I know my clients are going to ask: Will this make it difficult to file taxes, or maybe even raise a tax bill?

This is where a good financial advisor plays a key role in the life settlement process. First of all, the amount that your client has paid into the life insurance policy via premiums is cost basis. So, if over the lifetime of their policy, they have paid \$50,000 in premiums and the total settlement is \$100,000, then they will only pay income tax on \$50,000. What your client makes in profit will be considered as long-term capital gains tax. So, if that same policy had a cost basis of \$95,000 and they received \$100,000 in a life settlement, they would pay long term capital gains tax on only \$5,000*. Taxes can be a complex matter in any situation, so it's important to consult a tax professional for guidance on your client's unique circumstances.

*Disclaimer: We are not a CPA firm and do not give tax advice. Before making any decision, consult your own professional tax advisor.

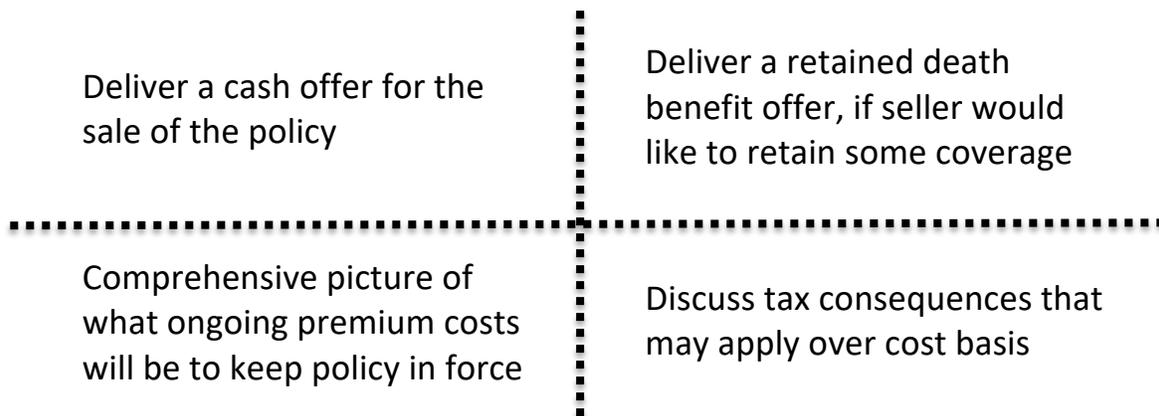




Conclusion

The great thing about what we do is that we provide a free appraisal of an asset that most senior clients just aren't aware can be turned into immediate cash. With the huge return of capital to our industry and the fact that over \$100 billion in life insurance is lapsed every year by seniors, there has never been a better time to present the idea of a life settlement to senior clients you come in contact with.

By conducting a life settlement appraisal, you will have a comprehensive picture of whether it makes sense to sell a client's policy or possibly hold on to it. Our appraisal will deliver the following to you and your client:



Many financial advisors, and even more seniors, do not know that their life insurance policies are assets that can be bought and sold just like a house or a car. Instead of surrendering your client's life insurance policy for a small fraction of its worth, you can actually engage in a life settlement and sell all or a portion of their policy--even term life insurance--for an amount much greater than the cash surrender value. Finding the right company to handle your life settlement means finding someone you can trust, someone who provides resources on the process, and walks you through each decision. Life Settlement Advisors is that company. We make it easy to get your questions answered and help you help your clients.

Hopefully, this resource has helped you understand what a life settlement is and how they can have a positive impact on you and your senior clients' lives. We know that selling a life insurance policy is a big step for your clients and will work with you through every step of the process, should they wish to move forward with a life settlement. If you have any questions or concerns, please [contact](#) Life Settlement Advisors today.

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