



Irrevocable life insurance trusts (ILITs) have been a tool financial advisors have used for ages to ensure the families of their clients are taken care of in the event of the client's death. But there's a huge opportunity that many advisors miss in ILITs, and it's right under their noses!

When a life insurance policy underperforms in an ILIT, the investable capital can get tied up by simply paying the premiums on the policy.

What's the Alternative?

By selling the life insurance policy in an ILIT in a life settlement, you're opening up liquidity to invest in other, more lucrative opportunities. A life settlement is the sale of a person's life insurance policy to a third-party investor. The policy's owner transfers the ownership of that policy in exchange for an immediate cash payment from the buyer.

Why Is It A Good Idea?

- The 2016 estate tax exclusion is \$5.45 million, which saves the majority of American households from paying estate taxes on life insurance payouts.
- Interest rates have been low for a long time, and life insurance policies aren't the assets they once were.
- Many policies simply underperform, and any earnings get tied up in the monthly premiums.

By selling the underperforming policy, you're opening up the opportunity to increase wealth through other investment opportunities that are far more lucrative.

How Big of a Difference Can It Make?

Let's give an example. Ms. Williams, an 84-year old woman, had a \$1.6 million universal life policy held in an ILIT that she originally purchased for Federal estate tax purposes. Because of recent changes in estate tax laws, she no longer needed the policy. Ms. Williams made the decision to no longer fund the premiums and the policy had a cash surrender value of \$78,560.

Ms. Williams discussed options with her lawyer and the trustee and it was determined that a life settlement would make the most sense. The trustee and Ms. Williams retained the services of a life settlement expert and they were able to solicit multiple bids from a variety of funders.

In a little over two months, a top offer of \$428,000 was made for the policy and was accepted by the trustee for Ms. Williams's life insurance policy.



How Can I Know If It's a Good Fit?

1. Consider the face value of the policy in the ILIT. Is it under \$5.45 million? If so, the ILIT may not be necessary to protect the family from estate taxes.
2. How is the ILIT performing? Has the interest rate decreased steadily over the life of the policy?
3. Have the premiums on the policy increased over the life of the policy?
4. Is the policy a whole life, universal, or term with a convertible rider?

If you answered “yes” to these questions, the policy may be a good fit for a life settlement. Visit www.lsa-llc.com/do-i-qualify to see.

Contact Life Settlement Advisors today to learn more about how we can help turn underperforming policies into liquidity for other investments.