



How to Talk with Clients About Life Settlements

As a financial advisor, you're in a position to provide real, valuable opportunities and advice to your clients. When it comes to senior clients living in or working towards retirement, assisting them in making choices they didn't even know were available to them can go a long way toward securing them a better future and securing you their future business. This is especially true of life settlements, which present an opportunity for aging seniors to increase their available retirement funds. The ability to talk with them properly about life settlements can make the difference when presenting them making important decisions on their assets moving forward.

What Are Life Settlements?

A life settlement is the sale of a life insurance policy within a secondary market (much like a home or car) for a sum of money that is larger than the cash surrender value of the policy. In a life settlement, the policy owner sells the right to the policy's insured death benefit, while also passing on the responsibility of premium payments. In most cases, a life settlement occurs when a policy owner no longer needs or wants a life insurance policy.

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When you're reviewing a senior client's financial portfolio, there are several elements to discuss about their life insurance policies and the opportunity of a life settlement.

1. Ask about their life insurance policies

Do they have any existing policies? Take inventory of all policies' premiums and insured benefits.

2. Is it worth keeping?

Many seniors don't even bother taking a second look at their current insurance policies. However, having a discussion about whether their current policies are worth keeping and making premium payments on. You might be surprised to find some policies that aren't necessary anymore. For example, a couple worth \$8 million might have purchased life insurance policies for estate planning purposes, but after the federal state tax law changes in 2010, they no longer need all of their policies.

3. Review options

a. Allow the policy to lapse



Your clients can decide to cease making premium payments, which will result in lapsing the policy. When a policy lapses, the policy owner forfeits all rights to its death benefit.

b. Surrender the policy

The client can choose to voluntarily terminate the policy before its maturity. This results in the insurance company paying the owner a cash surrender value, which is determined by how long the policy has been in-force and how many payments have been made. The surrender value could be exponentially less than the policy's value in the secondary market.

c. Sell the policy through a life settlement

The owner can decide to market and sell the policy to a second party buyer and relinquish the responsibility of making premium payments. This also relinquishes the right to the insured benefit. However, selling the policy through a life settlement often results in the seller acquiring a much larger sum of money than the policy's surrendered value.

Contact Life Settlement Advisors today to learn more about life settlements and the process of selling a life insurance policy.

888-849- 0887

llagrotte@lsa-llc.com