



**HOW CAN YOU HELP
YOUR CLIENTS MAKE
BETTER DECISIONS ABOUT
LIFE INSURANCE?**

Did you know you can sell all or a portion of your life insurance policy, even term insurance?

Whether your clients are just looking into purchasing a life insurance policy, or if they are policyholders whose needs have changed, guiding your clients to make good decisions about life insurance is critical.


LIFESSETTLEMENT
ADVISORS

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While 52% of Americans already own a life insurance policy, that leaves 48% of individuals who are not prepared for the future.¹

In another view, 11% of workers aged 65 and older lost their jobs in 2020.² That is roughly 1.1 million people who likely had to overhaul their retirement outlook. Those who couldn't replace their income either had to retire earlier than planned with a lower amount in their savings or resort to other options, such as selling their life insurance policies in a life settlement for a source of income.

No matter where your clients stand today, here are a few tips to meet your clients where they are at and help them make the best decisions about life insurance.



When it is Time for a Client to Purchase a Policy

Policyholders and beneficiaries receive many benefits when it comes to a life insurance policy. There are many reasons why a client may want to purchase life insurance— from having peace of mind that their beneficiaries will be taken care of when they pass away to being concerned about transferring their wealth across generations.

Although these are all the reasons why someone may be looking into purchasing life insurance, your clients may have particular questions or concerns when it comes to buying a policy.

How to Talk To Your Clients

About Purchasing Life Insurance

Insurance agents aren't only there to advise their clients on the best policy to choose, but also how to make the best decisions when it comes to having the client properly insured. While some individuals may need to understand why they should purchase life insurance at a younger age, others may need help getting insured with the proper amount. These are three ways to help your clients make better decisions about life insurance when it comes to purchasing a policy.



Explain That Life Insurance Doesn't Have to be Too Expensive

Over half of Americans think that life insurance is three times more expensive than what it actually is.³ Because of this misconception, many individuals don't look at their options when it comes to life insurance.

For instance, in a 2020 LIMRA study⁴, Millennials were polled on what they thought the average cost of a \$250,000 term life policy would be for a 30-year-old man who does not smoke and has no health problems. 74% of Millennials polled had incorrect guesses, stating that it should cost a man anywhere between \$300-\$1,000 a year.

The true average cost is about \$160 (quoted for the individual who qualified for the preferred plus risk class).

When talking to individuals about life insurance, use this misperception to your advantage. Leverage online comparison tools to show your clients what the actual cost of their policy would be compared to what they fear it would be—they might just be pleasantly surprised.



Understand Their Financial Priorities

One of the other factors that can keep people from purchasing life insurance is their responsibility to other financial priorities. From saving, paying off debt, health and living expenses, and recreational costs, life insurance can seem like an expensive addition when someone is evaluating their budget.

Priorities play a significant role in a person's budget, and other significant financial responsibilities may be a contributing factor as to why they may have not purchased insurance.

When talking to your clients about financial priorities, present the value of life insurance upfront and educate them on how it is an investment. Show your clients the comparison costs of buying life insurance now compared to buying it at a later time, and how those costs can fluctuate as their situations, health, and life change. 40% of individuals say they wish they had purchased life insurance at a younger age since they would've gotten lower premiums.



Review and Assess Their Current Coverage

Although over half of Americans have life insurance, 30 million households are underinsured.⁶ Although these Americans have life insurance, the majority will still struggle financially after the death of their policyholder.

In this situation, it's common that people only have life insurance through their employer. Some employer-sponsored life insurance can be little to no cost, which can cause individuals to neglect looking to see if they're sufficiently covered.

The median life insurance coverage offered by employers is equivalent to either one year's salary or a flat sum of \$20,000.⁷ Most often, this amount can create financial hardships for family members in the future, especially for dual-income households.

When talking to your clients about employer-provided coverage, show them the facts. 42% of families may have monetary troubles within six months, and 25% of families may struggle

2. <https://www.commonwealthfund.org/publications/issue-briefs/2020/oct/covid-19-impact-older-workers-employment-income-medicare>

3. <https://spendmenot.com/blog/life-insurance-statistics/>

financially within a month after the passing of the policy holder.⁸ The exact amount of coverage a family needs to be secure will vary of course, so we encourage your clients to set up a meeting to discuss an adequate coverage amount. To whom and when it is appropriate for a client to sell a Life Insurance policy? “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 an insured in their 60s to early 70s that has had multiple chronic medical conditions and a significant health change has taken place since the policy was issued. For an insured to qualify to sell their life insurance, their life expectancy must be 15 years or less.”

“Have your life insurance needs changed?” This is a good first question to ask when your client comes to you about selling their life insurance. This question will lead to important conversations.

There are many reasons why life insurance holders sell policies. These can include:

- The payment of the premiums has become prohibitive
- They have retired and the home is paid for
- They have sold their business and no longer need the coverage
- Their federal estate tax liability no longer exists
- Their list of beneficiaries has changed due to divorce or other substantial changes
- They need the funds from the sale to pay for unexpected costs, such as medical expenses or to supplement their retirement savings

4. <https://www.noexam.com/life-insurance/statistics/>

5. https://www.limra.com/siteassets/research/research-abstracts/2021/2021-insurance-barometer-study/2021_barometer-infographic.pdf

6. <https://spendmenot.com/blog/life-insurance-statistics/>

7. <https://www.bls.gov/ncs/ebs/benefits/2020/employee-benefits-in-the-united-states-march-2020.pdf>

How to Talk with Clients About Life Settlements

When entering retirement, some seniors face a harsh financial reality. Oftentimes, retirees may need to liquidate assets or ensure their retirement funds. Others simply don't have a need for their life insurance policy, but don't understand that they have an option to sell it instead of surrendering it. These are three ways to help your senior clients make better decisions when it comes to selling their life insurance policies.



Review the Clients Life Insurance Policies

Start the conversation with clients by taking inventory of their existing policies. Review elements such as beneficiaries, death benefits, and premiums. Also review your clients' original goals for purchasing life insurance, with respect to end-of-life wealth transfer and your client's willingness and ability to continue making premium payments.

Many seniors have never taken a second look at their current policies. Having a discussion about whether their current policies are worth keeping and paying premiums on is the first step of the process.

If your review uncovers any redundancies or unnecessary coverage, discussions about liquidating or eliminating some of those policies are in order. Although options also include letting the policy lapse or surrendering the policy, selling the life insurance policy may reap the most rewards in the long term.



Explain the Benefits on a Life Settlement

In a life settlement, the owner can decide to sell their policy to a second party buyer and relinquish the responsibility of making premium payments, which also relinquishes the right to the death benefit. The owner can also decide to retain a portion of the policy's death benefit when selling their policy. For example, the owner may want to retain \$50,000 of the \$500,000 policy for their named beneficiary.

When discussing the options of a life settlement with clients, it is important to properly educate them on the value that comes with them and how they can receive a larger sum of money than the policy's surrender value. In fact, they can receive an average of four or more times the cash surrender value of their policy.

A life settlement often nets at least a 20% return on the death benefit of the policy. Here is a great example for clients: If a client sells a million-dollar policy, they would get an estimated \$200,000 in return.



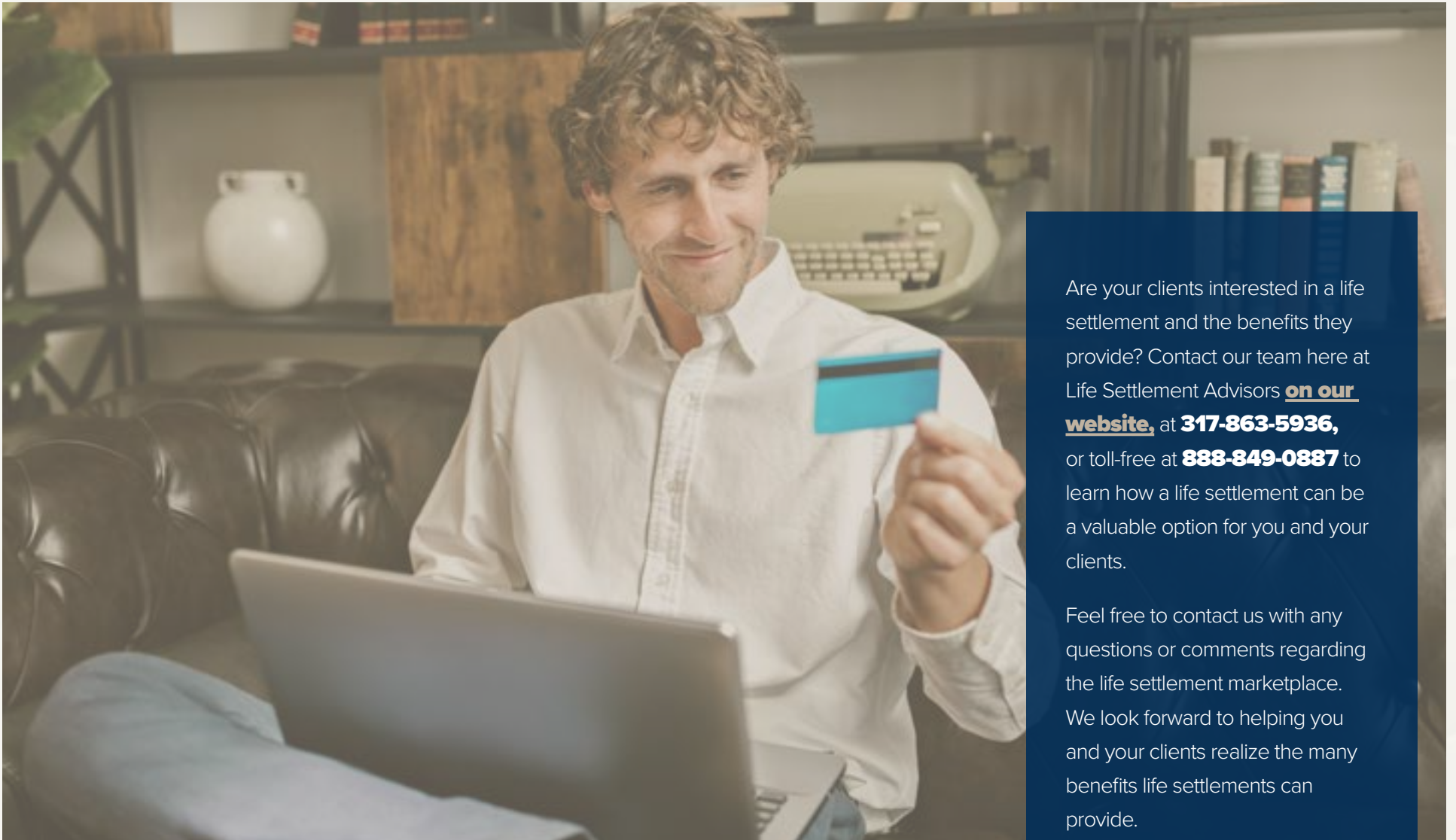
Make Tax Implications Clear

Make it clear that life settlements do have tax implications. Policyholders that sell their insurance will have to pay taxes on any amount they earn that exceeds the premiums they have paid.

Here is a good example for a client: if they have paid \$25,000 in premiums over the lifetime of the policy, and get \$30,000 in a life settlement, they would have to pay taxes on \$5,000.

While the greater returns that are earned through a life settlement may have clients concerned about tax liability, remind them that working with a financial advisor or another professional can help them manage expenses to minimize liability and reduce necessary payments at tax time.

Life Settlement Advisors Is Your Life Settlement Partner



Are your clients interested in a life settlement and the benefits they provide? Contact our team here at Life Settlement Advisors [on our website](#), at **317-863-5936**, or toll-free at **888-849-0887** to learn how a life settlement can be a valuable option for you and your clients.

Feel free to contact us with any questions or comments regarding the life settlement marketplace. We look forward to helping you and your clients realize the many benefits life settlements can provide.



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