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LIFE SETTLEMENTS

UNLOCKING THE TRUE VALUE
OF A FINANCIAL ASSET

Life Insurance Valuation, a Key Component to Financial Planning

Most people know the Fair Market Value of the largest assets and financial holdings In a portfolio.

Asset Valuation is a key component to financial planning and vital to making informed decisions.

What is the TRUE value of a life insurance policy?

Do you know the answer?

The fair market value is often HIGHER than the cash surrender value.

In the past, there was only one way to measure policy value, the surrender value dictated by the policy carrier. This cash value reflected neither the amount of premiums paid into the policy nor the fair market value that other institutions might be willing to pay for that policy. The result, cash surrender value of a policy is often lower than fair market value. Many people have no idea what the true value of their life insurance policy is and still consider the cash surrender value as the true value of this asset.

Life Insurance gains in value.

All this has changed. In the recent past a secondary insurance market has evolved. Banks, mutual funds, and institutional funding companies have seen the value and stability of entering into the secondary life insurance market. A current article, titled "The Benefit of a Secondary Market for Life Insurance," which appeared in the Real Property, Probate & Trust Journal of the American Bar Association, concludes that the secondary market for life insurance is both pro-competitive and pro-consumer.

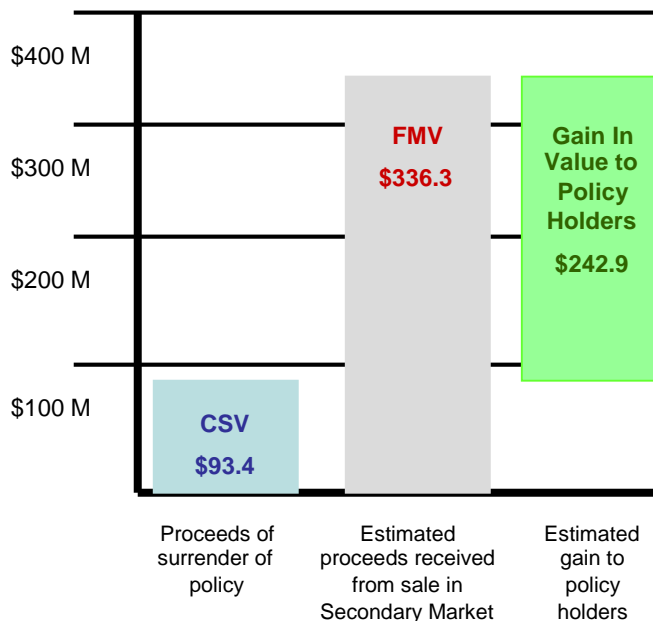
Now, a proven system has emerged to derive a fair market value for life insurance policies and a way to liquidate them if more favorable options exist.

Why is it important to know the Fair Market Value of a life insurance policy?

Just as knowing the fair market value of real estate, investments, and other hard assets enables informed decision making, knowing the fair market value for your life insurance policy will help you to make informed decisions regarding insurance coverage, and financial holding, which may create more beneficial options.

The difference between Cash Surrender Value and Fair Market Value.

An industry study conducted in 2002 at the University of Pennsylvania's Wharton Business School found that life insurance policies sold in the secondary market for an average of 3.6 times the policy's cash surrender value. There may be significant difference between cash surrender value and fair market value. It is financially prudent to determine the fair market value for all assets, including a life insurance policy, on a periodic basis. Attorneys Insurance Services, LLC can perform a no obligation life insurance valuation of your policy today.



**The Difference
Fair Market Value vs. Cash Surrender Value**

WHY SHOULD YOU CONSIDER A LIFE SETTLEMENT?

Case Study #1

Objective: Client needs to keep life insurance coverage in force for another 12 years but does not want to make further premium payments.

Profile: M 78 and F 77 moderate health. \$3,000,000 Survivorship. Premium: \$82,403 Cash Surrender Value: \$693,758

A projection was requested from the insurance company showing that policy would lapse in 8 years without further premiums.

The policy was sold in the secondary market for \$950,000 which created sufficient funds to purchase a new policy without out of pocket premium expense.

Cash Surrender Value: \$693,758 Life Settlement Payout: \$950,000.

Case Study #2

Objective: Client wanted to reduce or eliminate future premiums.

Profile: M 77 Moderate Health. \$8,700,000 UL Policy. Premium:\$36,077. Surrender Value \$993,714

Client asked if future premium payments can be eliminated, while keeping life insurance coverage in force. A sale was negotiated of the current policy in the secondary market. Client received \$2,600,000, a sum \$1,606,286 MORE than the surrender value. A new policy was purchased on a single payment plan, with \$500,000 excess cash that client kept for investment.

Cash Surrender Value: \$993,714 Life Settlement Payout: \$2,600,000

Case Study #3

Objective: Client was advised that the estate plan put in place had reduced the amount of insurance needed for paying Federal Estate Taxes.

Profile: F 82 Moderate Health. \$10,000,000 UL Policy. Premium: \$125,000. Surrender Value: \$356,000

The combination of prudent estate planning and reduction in the Federal Estate Tax had lowered the projected estate costs. The client was advised to negotiate a life settlement for her policy, and that she use the proceeds to apply for more suitable coverage.

A life settlement was made for \$1,500,000, which was \$1,144,000 more than the surrender value. The client applied for new coverage and retained \$740,000 for investment.

Cash Surrender Value: \$356,000 Life Settlement Payout: \$1,500,000

Disclaimer: Life settlement amounts are based on numerous factors including but not limited to age of the insured, health, future premiums required, face amount, etc. The above examples are meant to demonstrate the potential benefits of a Life Settlement and does not necessarily indicate future life settlement amounts. The average payout for life settlements have averaged 17% of the face amount of policy settled.

Q&A



What is a Life Settlement?

A financial tool used by senior policy owners applied to life insurance to create funds in excess of cash surrender value.

How is a Life Settlement “found money?”

Most people are unaware that their existing life insurance may be liquidated for 10% to 60% of the policy face amount (death benefit) regardless of the stated cash surrender value.

Who Qualifies for a Life Settlement?

Insured persons who are age 70 or over with life insurance coverage in force for more than two years and coverage amounts of \$500,000 or more. Persons under age 70 might qualify due to adverse medical history where life expectancy is not more than twelve years.

When to consider a Life Settlement

- Reduce or eliminate future premiums on a new policy.
- Fund needed Annuities, Investment strategies, Long Term Care.
- Fund a Single Premium Life Insurance Policy.
- Reduction in Estate Clearance cost projections.
- Profitable alternative to surrender or lapse of current coverage.



Alan Jay Ackerman, Esquire

What types of life insurance policies are considered?

- Survivorship
- Universal Life
- Term
- Whole Life

How is the Settlement Offer determined?

There are a number of factors that include:

- Age
- Premiums
- Client's health
- Type of policy
- Financial ratings of insurance company
- Policy size

Who makes the future premium payments?

The funding institution will pay all future premiums after the Life Settlement has transacted.

Are there any restriction on the use of proceeds from a Life Settlement?

No. The Life Settlement proceeds can be used in any manner by the client.

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