

Robin & Peter on LIFE SETTLEMENTS



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Don't Overlook the Hidden Value in Term Policies!

Term insurance is typically bought to cover a temporary need and, at some point in time, it either expires, reaches the end of its rate guarantee period, becomes unnecessary or becomes unaffordable. When any of these events occurs, a life settlement may be a way to recover some "salvage value" for your client.

We find that the most likely candidates for a term policy life settlement are retired or retiring business owners or key employees.

Businesses frequently own or pay for a variety of insurance policies for buy sell, stock redemption, key man or fringe benefit purposes, and, more often than not, these policies are term insurance.

With the business out of the picture, some life insurance policies, like those for a buy sell, are often no longer needed. Or, since the business, not the insured, was likely paying the premium, the policy may no longer be affordable. Finally, if the business was sold, the need for estate liquidity may have changed.

Here's a recent case example:

A male, age 70, retiring business owner had completed the transfer of a family business to succeeding family members. A \$5 million term policy owned by his son for business continuation purposes was no longer needed. Instead of surrendering the policy for no value, the policy was sold for \$100,000 in a life settlement.

Keep in mind that term insurance life settlements can be time sensitive. Be especially on the lookout for policies nearing the end of the level premium guarantee period as well as policies with conversion privileges that are about to expire. **Usually, to be eligible for a life settlement, a term policy must be convertible to universal life.**

Whether or not a business is involved, **it always pays to evaluate term policies to determine if there could be any settlement value.** Look for term policies issued preferred or standard with an insured over age 70 that has had some decline in health since the policy was issued.

Before a term policy lapses, give us a call so that we can help you to uncover

potential hidden value for your clients. There's nothing to lose and potentially lots to gain!

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