

Robin & Peter on LIFE SETTLEMENTS



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Making the Best Out of Bad Situations

With the economy in turmoil, unfortunately, producers get more calls from clients than they would like saying that they are having money troubles and can no longer afford their insurance. In addition, financial setbacks can cause policies to become unneeded or unwanted. A life settlement may be a creative way to ease some of the pain.

Here are examples of recent situations and how a life settlement made a meaningful difference to the clients:

Case 1: As part of their mother's estate plan, the sons bought a \$2,000,000 policy on her life. Business setbacks and bad investments made the premiums unaffordable. The policy was sold for \$373,000 which more than covered the total premiums paid into the policy.

Case 2: A \$1 million dollar policy was bought four years ago for estate planning purposes. The insured, age 77, is heavily invested in commercial real estate. As a result of the recession, several key tenants were lost and caused the insured to have significant cash flow problems. When the policy was about to lapse for nonpayment of premiums, the agent suggested investigating the possibility of a life settlement. \$60,000 was salvaged for this policy.

Case 3: Two brothers owned two survivorship policies on their parents totaling \$1.5 million. The policies were to be used to fund a buy sell agreement buying out their parents' roofing business upon death. The father died and the business declined materially due to both the lack of new construction and the father no longer being in the business. Ultimately, the business went under and the brothers could no longer afford the premiums. \$339,000 was obtained in a life settlement of the two policies.

Luckily, these clients were in touch with their agents before they lapsed their policies. As we have said many times, after all other options are exhausted and the decision has been made to lapse or surrender a policy, a life settlement can be one more opportunity to do good for your clients - just when they need it most.

As situations come up, please be sure to give us a call. Life settlements are continuing to bring significant value to policy owners.

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