

# Robin & Peter on LIFE SETTLEMENTS



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## Life Settlements and the "Fiscal Cliff"

Now that we've survived the "Fiscal Cliff," we know that the Estate Exclusion Amount for 2013 and beyond, indexed for inflation, will likely be set at around \$5,250,000 per person (with portability, \$10,500,000 per couple). With this significant development, you owe it to your clients to review their existing insurance and estate plans because it is quite likely that some of their insurance needs will have changed.

Undoubtedly, you will be hearing things like:

- "Our estate is only \$7,000,000 and so I no longer want to keep that policy I bought a few years ago,"
- "I no longer need all the insurance that I have and could use the money for other things," or
- "What should I do with my extra insurance?"

Assuming that your clients can afford the premium payments, keeping their insurance may still be the best financial alternative because there are many other benefits provided by life insurance besides just paying estate taxes. With that said, **if the decision gets made to terminate coverage, then the right thing to do for your clients is to help maximize the salvage value of their policies by considering a life settlement as an alternative to lapse or surrender.**

As you go through your review process, in addition to focusing on estate taxes, you should also look for other changes in the financial situation of your clients. Other indicators of a need for less insurance could be:

- **Business** - Retirement or selling or terminating a business could mean that business insurance policies or fringe benefit policies paid for the business may no longer be needed or affordable.

- **Family** - Divorce or the death of a spouse or other beneficiary might be a sign that some existing coverage is no longer needed.
- **Assets** - Sale of illiquid assets could reduce the need for policies purchased for estate liquidity or creditor protection.
- **Overall finances** - Declining finances like business or investment setbacks or the loss of a job could make some policies unneeded and unaffordable.
- **Policy Performance** - Policies not performing as planned might imply that they are no longer affordable or desirable.
- **Term Insurance** - Term insurance reaching the end of its conversion period or the end of the premium guarantee period may mean the policy has reached the end of its intended purpose or that continuing the coverage may no longer be affordable.

The "Fiscal Cliff" has given you a wonderful reason to contact all your clients and prospects, as well as their accountants, attorneys and trust officers. **As the question of "what do I do with my extra insurance" comes up, you want to be the invaluable resource that finds a better alternative to lapse or surrender.**

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