

Robin & Peter on LIFE SETTLEMENTS



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Life Settlements Are Making a Big Comeback!

The life settlement marketplace has really opened up. Growing confidence in life expectancies and the need for investments that offer alternatives to the low interest rate environment and the now-pricey stock market have money flowing back into life settlements. Here are some recent cases of ours that illustrate just how much the market has improved for sellers:

1. Because the life expectancy of the last-to-die of two lives is usually far greater than a single life, investors have traditionally stayed away from putting money into **survivorship policies**. That is changing as investors are now realizing that even with longer life expectancies, these policies can be good investments as they are often well-priced with very low carrying costs. We recently sold a \$10 million survivorship policy on a male age 78 and a female age 77 that was purchased to offset estate taxes, but was no longer needed due to a decline in the value of their estate and the increased estate tax exclusion. They received \$127,000 for the policy which had a cash surrender value of zero.

2. Unlike survivorship, **convertible term policies** have continually been our best, but most frequently overlooked, prospects for life settlements. In a recent case, a 70 year old male owned a \$500,000 20-year term policy that had 4 years to go, but was at the end of the conversion period and he could not afford to convert it. His life expectancy was assessed at about 9 years and we were able to get him an offer of \$89,000. With that offer, combined with the premium savings for the next 4 years, it made much more financial sense to him to sell the policy today, rather than winding up with nothing in 4 more years.

3. **Offers are increasing.** In late 2012, we worked with a 78 year old male who had a \$3 million UL policy. The coverage was purchased to benefit his sons, who were now grown and successfully on their own. He was having difficulty making the premium payments. At that time, in 2012, the best offer made to him was \$157,500. He declined the offer and decided to try to maintain the policy. By the end of 2013, he realized that

he could no longer afford the premium payments and that the settlement proceeds would really help him to maintain his lifestyle. Although his health had not declined during the year, this time we were able to get him an offer of \$186,000, which he happily accepted.

With the improved marketplace, producers should not overlook the alternative to lapse or surrender that life settlements offer to their clients.

These cases should give you some ideas of what to look for, but when in doubt, remember, it can't hurt to ask - it can only hurt not to.

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