

# Robin & Peter on LIFE SETTLEMENTS



September 3, 2009

## The Capital Is Back!

**Capital is returning to the life settlement market.** Hardly a week goes by without an announcement from a funder that a new pool of money is available and that they are seeking policies for life settlements. Policies that are no longer wanted, needed, or affordable are bringing additional value to their owners through a life settlement. Here are some examples of cases we have recently settled.

### Case 1: Too Much Term

An irrevocable life insurance trust held a six-year old \$10.5 million term policy issued on a male currently age 67. Based on the insured's current finances, the face amount was more than what was needed for estate tax purposes. Additionally, the client could not afford the premium to convert even a lesser amount to universal life. The client was about to reduce the face amount of the term policy to a more appropriate level. His agent, however, suggested life settling \$8 million of the term policy and using the \$77,000 received to convert the remaining \$2.5 million to a universal life policy. The agent also received the compensation on the conversion of the \$8 million that was settled -- a "win-win" for all!

### Case 2: Survivorship Universal Life With One Insured Deceased

An 88-year old female had \$1 million of survivorship universal life issued in 1993 that was about to lapse. Her husband, the joint insured, had died many years ago. The policy was intended for the benefit of her children, but neither she nor the children could afford the premiums and estate taxes were no longer a concern. Before letting the policy go, the agent suggested the possibility of a life settlement. The children were quite pleased with the \$202,000 offered.

### Case 3: Bye-Bye Buy Sell

A \$1 million policy for a buy-sell arrangement was originally bought as term insurance in 1993 and converted to UL in 2000. Due to a downturn in the business, the policy was no longer needed or affordable and was nearing lapse. Fortunately, just before dropping the policy, they contacted their agent who recommended they hold on just a bit longer to determine if a life settlement could work. For this policy on a 78-year old male, the client received \$320,000 and was ecstatic.

**In this time of economic uncertainty, the capital markets are in flux. But, as these cases demonstrate, life settlements are alive and well and we continue to help you provide additional value to policy owners.**

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