

Robin & Peter on LIFE SETTLEMENTS



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Turn Term Policies into Cash with a Life Settlement

Term policies that are convertible to universal life make some of the best prospects for a life settlement, but they are frequently overlooked. This opportunity is missed for primarily two reasons: 1) term life settlements are time sensitive transactions that must occur before the policy lapses or the conversion privilege expires and 2) many financial advisors, accountants and attorneys are not aware that term policies can be sold in a life settlement.

Here are some recent life settlement cases that produced unexpected cash from term policies:

- A retired 75-year-old male with a \$1 million term policy could not afford to convert the policy that was nearing the end of its guaranteed premium and conversion periods. His health was fairly good for his age, but he was a cancer survivor and had a life expectancy of about 12 years. Since he wanted to keep some coverage in force, he was planning to convert a small portion of the policy, \$100,000, and let the balance of coverage lapse. We were able to get him \$28,000 in a life settlement by converting and selling \$800,000 of the policy. He was able to convert and retain the \$200,000 balance of the policy for himself. The proceeds of the life settlement covered over two years of the conversion premium which allowed him to keep a larger amount in force for himself than if he had simply allowed the policy to lapse.
- A seriously ill 51-year-old male was diagnosed with a cancer that was likely to take his life within 5 years. He was burdened by debt and limited income, but also wanted to enjoy his final years, needing additional cash to do things with his family. Fortunately, he owned a \$2 million term insurance policy. He kept \$1,000,000 of the policy for his wife and children, and sold \$1,000,000 of the policy which enabled him to obtain enough cash to meet his objectives. His life expectancy came in at 4½ years and we were able to get him an offer of

\$670,000. The proceeds will obviously make a significant difference during the short time remaining to him.

- A 67-year-old with heart issues, but a rather long life expectancy of 18 years, was retiring. There were two \$1 million term policies on his life that were being paid for by his employer. One was a key person policy and the other a fringe benefit. Upon retirement, the policies were no longer needed or affordable, but he wanted to retain and convert \$100,000 for his final expenses. Instead of letting the \$1.9 million simply lapse, we were able to sell that portion of the coverage for \$19,000.
- A 75-year-old owned two term policies totaling \$750,000 in face amount that he was going to allow to lapse. Fortunately, his agent became aware of his plans before they happened. He had non-Hodgkin's lymphoma in remission and his life expectancy was 10 years. By combining and converting the two policies we were able to get him \$187,000 in a life settlement.

Had these clients' agents not been vigilant and in the know, these cash windfalls might never have happened. It is up to you to be sure that your clients and their advisors don't miss the opportunity to sell their expiring term insurance policies. As situations arise, be sure to give us a call. Remember, it can't hurt to try - it can only hurt not to!

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