

# Robin & Peter on LIFE SETTLEMENTS



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## How to Prospect for Life Settlements

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Most life insurance producers are aware that the prime candidates for a life settlement are insureds age 70 or older with some decline in health since the policy was issued. But the first step in prospecting for life settlements, however, is to know when a life settlement should be investigated.

**A life settlement is an alternative to surrendering or lapsing a policy; it is not an alternative to keeping a policy.**

Based on the rates of return life settlement investors are requiring, as well as the transaction costs, it cannot be financially attractive to sell a policy that would otherwise be retained. So the search for life settlement prospects begins with the requirement that the policy would be terminated if not sold.

With this in mind, the most likely and yet most frequently overlooked candidates for a life settlement are term life insurance policies that are about to expire (or are at the end of their initial premium guarantee period) and are convertible to universal life.

Other situations that can point to a life settlement are certain significant life changes which include the death of the intended beneficiary, the sale or dissolution of a business, retirement, changes to an estate plan, financial setbacks or cash needed for medical or custodial care.

But how does one prospect for these situations? Unlike looking for new life insurance sales which can involve cold calls and mail campaigns, by knowing your clients, these situations should find you! Your focus should be on monitoring the changing needs and objectives of your clients, especially those with term insurance, and by doing so, you will find out who has policies that they no longer need, want or can afford. In other words, life settlements tend to be reactive, not proactive.

Also, you should be certain that your clients know that the life settlement option exists should a circumstance arise that they are going to terminate a policy. You will be surprised to learn how many people are not even aware that there could be a better option than lapse or surrender, and by the time they do find out, if ever, it's often too late.

Many advisors, like lawyers, accountants and trust officers that you work with, may be similarly unaware of life settlements. Educating them about life settlements and the situations in which they apply could provide you with solid leads. After all, who knows better than a lawyer or accountant when a client's financial picture is changing which could make a policy unwanted, unneeded or unaffordable. Now is a particularly good time to contact accountants as tax season has just passed and so they are up-to-date on the changing financial circumstances of their clients.

Prospecting for life settlements can be summed up in one word – knowledge: knowledge of your clients and their situations, and sharing your knowledge with advisors so that they too are knowledgeable about life settlements. This way, when a policy is about to be lapsed or surrendered, you will have the opportunity to investigate the possibility of a settlement.

As situations arise, please be sure to give us a call so that we can help you to determine if a policy will qualify for a settlement. As we are known to say, “it can't hurt to try – it can only hurt not to!”

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