June 12, 2014 • Issue 14

The Secondary Market

By Steve Shorrock, CLTC, ChFC, FLMI

Three New Reasons That Advisors Are Pursuing Life Settlements For Their Clients

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As a financial advisor with high net worth individuals, keeping an eye on any new strategies to protect assets is a must.

In most life settlements, the insured no longer needs the insurance coverage or can no longer afford it. If the insured's reason for owning the life insurance changes, such as following a divorce or after a spouse passes away, then a life settlement enables the insured to receive a payout on coverage which might have otherwise been surrendered. If premium costs rise and the insured can no longer afford to keep the coverage, then a life settlement can pay a lump sum for a policy which might otherwise lapse.

Today, life settlements are breathing new life and value into term policies, freeing-up capital trapped in irrevocable life insurance trusts (ILITs) and helping advisors meet their fiduciary responsibility to clients:

Term insurance can be converted to permanent insurance and then sold as a life settlement. Term insurance remains one of the most widely used financial protection tools and generally falls into the category of "set it and forget it." Buy term insurance hoping that you will never need it, and when the term expires, be thankful that you are still alive and well. However, term insurance with a conversion can offer a windfall for seniors. For seniors with policies that are nearing the end of their term, life settlement providers will evaluate those policies and even provide the cost of conversion. Seniors can convert the policies to permanent policies and perform a life settlement in one, multi-faceted transaction that will provide them with a payout and no net out-of-pocket expenses. Financial advisors who fail to educate their clients about "term to perm" are doing them a great disservice.

ILITs require third party evaluation which may lead to a life settlement. ILITs offer an exceptional way to help high net-worth indivuduals preserve their wealth and manage future estate taxes. However, the life insurance policies held within such trusts may not be performing at satisfactory levels, as investable capital may be trapped paying for existing policies within the trust. Meanwhile, changes in estate tax laws may make the policies less important to the overall financial plan of the beneficiary. When trustees perform required evaluations of insurance policies within an ILIT, a life settlement may be in the best interest of the beneficiaries, by freeing-up capital for investment. Sophisticated life settlement companies , like Veris, can perform annual policy evaluations at no cost, making the process simple and streamlined for wealth managers.

Fiduciary responsibility called into question. A recent California lawsuit suggests that advisors who fail to educate their clients about life settlements might be on the hook for damages. A closely watched class action lawsuit filed in California federal court alleges that Lincoln National failed to disclose the life settlement option to clients. A California couple said that they lost money because the insurer didn't tell them they may have been able to sell their policy, rather than reduce their coverage, had their agent told them about the life settlement market.

Since 2006, Veris Settlement Partners has helped policyowners receive over $50 million more than if they surrendered their policies back to the insurance carrier. Veris Directors Steve Shorrock and Russel Dorsett served as CEOs of highly-rated insurance carriers plus Mr. Dorsett served as President of LISA, the Life Insurance Settlement Association. At Veris, our knowledge of the life insurance and life settlement market differentiates us from other intermediaries and makes us an indispensable partner from start to close.

Please call us at 631-239-6655 to get pricing on any potential cases you may have.