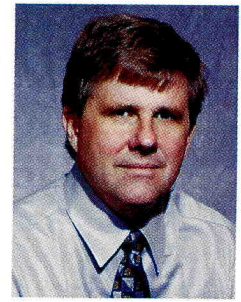


Tough Times Have More Seniors Looking for Needed Cash



Steve Shorrock

By Steve Shorrock, ChFC, CLTC, FLMI

A “perfect storm” including a credit crisis, mortgage foreclosures, declining home values, rising gas prices and medical costs, plus a staggering stock market has Americans facing the most challenging economy since the 1980s. Some are so strapped that they have turned to the Internet or local flea markets and are selling prized possessions to raise cash. They are even selling off family heirlooms, dishes and their own belongings.

“This is not about downsizing. It’s about needing gas money,” commented Nancy Baughman, founder of eBizAuctions, an online auction service she runs out of her garage in Raleigh, North Carolina. One formerly affluent customer is now unemployed and had to unload Hermes leather jackets plus Versace jeans and silk shirts.

At Craigslist, which has become a kind of online flea market for the world, the number of for-sale listings has soared 70% since July 2007. Craigslist CEO Jeff Buckmaster acknowledged the increasing popularity of selling all sort of items on the Web, but said the rate of growth is “moving above the usual trend line.” He said he was amazed at the desperate tone in some ads.

Economists say it is difficult to compare the selling trend with other tough times because the Internet, only in wide use since the mid-1990s, has made it much easier to unload goods. But clearly, cash-strapped people are selling their belongings at bargain prices,

with a flood of listings for secondhand cars, clothing and furniture hitting the market in recent months.

Earlier this decade, people tapped their inflated home equity and credit cards to fund a buying binge. Now, slumping home values and a credit crisis have sapped sources of cash. The weakening job market is another concern.

Investment advisers and retirement planners at more than a dozen firms, including Charles Schwab, Edward Jones and Merrill Lynch, say they are seeing large numbers of older workers put off retirement.

We are seeing more incoming life settlement cases from men and women in their 70s - and, in many cases, still working—who need funds to replace what they have lost. As many people approach their 70s and beyond, life insurance sometimes makes up a disproportionate amount of their net worth.

An in-force life insurance policy is certainly a valuable asset, but in some circumstances a life settlement may be a viable option for raising cash to meet current needs. A life settlement involves the sale of a policy for an amount in excess of the cash surrender value but less than the face amount of the policy.

As an asset class, life settlements are not correlated to traditional markets. Unlike many other alternative assets, the return is definable and is not dependent on consumer appetite, which could well be constricted by this challenging economy.

Furthermore, the secondary market will continue to show significant growth because of an aging population and increased longevity. Policy Selection, manager of the Assured Fund life settlement investment product, recently predicted that the life settlement market in the U.S. will grow to \$160 billion in 2016. This is a dramatic increase, up from the \$10-20 billion that *The Journal of Structured Finance (Life Settlements: A Secret No More)* wrote was processed in 2005.

Being the former President/CEO of a life insurance company, I’m especially pleased that LISA, the Life Insurance Settlement Association, reported in their White Paper of August 22, 2006, that nearly half of all life settlement transactions result in the purchase of new insurance policies.

Especially in these challenging times, life settlements remain a wonderful option for seniors whose policies are no longer needed, wanted or affordable, instead of simply lapsing or surrendering the policy.

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Steve Shorrock is President of LifeVentures Corp, which designs new life insurance products and develops marketing concepts for agents and Director of Veris Settlement Partners, a life settlement firm that brokers seniors’ unwanted or unneeded life insurance policies. You can reach him at his Northport, Long Island office at 631-239-6655 or steve@lifeventurescorp.com