

## Where Do Life Settlements Fit for Agents and Financial Advisors??

Often, I am asked the above question by agents and advisors. Below is a list of 5 bullet points that will point you in the right direction:

### 1. Wonderful alternative to surrendering the life policy:

- a. There is no better time to introduce the idea of a life settlement than the time your client is discussing a policy surrender
- b. Instead of settling the policy back to the life company for the cash surrender value (CSV)
- c. Sell the policy for a market value, often multiple times greater than the CSV
- d. The 2017 Tax Cuts and Jobs Act (TCJA), clarified the tax on life settlements as the same treatment as a policy surrender.
  - i. No tax liability up to basis (premiums paid), and a long-term capital gain for the settlement value above premiums paid.
  - ii. This legislation reversed IRS Ruling 2009-13 and is retroactive for life settlements dating back to August 2009.
  - iii. If the insured has a life expectancy less than two year, then the entire life settlement proceeds are tax free.

### 2. Using Annual Reviews to Discuss the Possibility of an Additional Exit Strategy – A Life Settlement

- a. Many insured's have life policies that no longer meet their needs and many do not realize they have an additional option besides keeping the life policy, lapsing or settling for the cash surrender value.
- b. A life settlement provides value above the cash surrender value for the life policy that is no longer wanted or needed.
- c. As a financial advisor and when performing annual reviews, see if your clients have any of the following situations:
  - i. Need an influx of cash to supplement current retirement income and assets.
  - ii. Would like to free up funds for travel or purchase a boat.
  - iii. Want to help grandchildren in their living years.
  - iv. Are charitable and would like to make a current gift to a favorite charity or institution.
  - v. Life policy is not affordable or no longer needed.
- d. If so, your client could be a candidate for a life settlement. Life settlements can provide either a cash benefit or retain a portion of the death benefit with no further premiums required.

### **3. Promotes New Life Insurance Sales as there is a potentially better exit strategy when the life insurance is no longer needed.**

- a. Additional exit strategy, provides a market value living benefit
- b. The life policy provides coverage for as long as needed with potentially a market value life settlement thereafter
- c. Term policies are also excellent life settlement opportunities. The term policy would be converted to a permanent policy and then sold.
  - i. If a life settlement is a possible term exit strategy, then the term conversion privileges are important:
  - ii. Conversion ages and the product they can convert to become extremely important.

### **4. Tax Reform Bill is Expected to Boost the Life Settlement Market.**

- a. The 2017 Tax Cuts and Jobs Act (TCJA) doubles the estate tax exemption to \$11.2 million for individuals and \$22.4 million for couples.
- b. The need for life insurance to cover potential federal estate tax is no longer needed for many insureds.
- c. Many 2<sup>nd</sup>-to-die policies are now wonderful life settlement opportunities especially due to joint mortality (which is lower than single life mortality)
- d. 2<sup>nd</sup>-to-die policies with one insured deceased are very attractive life settlement opportunities.

### **5. Fiduciary Responsibility of Agents and Financial Advisors to make Insureds Aware of the Life Settlement Option.**

- a. Agents and financial advisors need to make their clients aware of the life settlement option versus policy lapse or surrender.
- b. Many states have enacted regulation where the insurance companies need to make insured's aware of a life settlement versus lapse or surrender.

## **Why VERIS Settlement Partners?**

As a Life Settlement Intermediary/Broker VERIS Settlement Partners is viewed by many as one of the best in the industry. What makes VERIS so special and differentiates us from others, include (see attached brochure):

- **Life Insurance Experts** – as life insurance is the underlying asset in a life settlement transaction, product expertise is a necessity. Both principals of VERIS, Steve Shorrock and Russ Dorsett are past life insurance company CEO's. Steve continues to work with life companies and agents developing life products and sales concepts. Understanding life products and maximizing a policies value as a life settlement go hand and hand.

- **Errors and Omissions (E&O) Coverage** – Most E&O policies held by agents omit life settlement transactions. As a result, VERIS' E&O coverage was designed to cover agents for life settlements closed with VERIS. This covers agents up to \$1 million of liability for no charge. This is a very expensive benefit provided by VERIS that other intermediaries do not offer.
- **Valued Partner** – We do not work with everyone. We select partners we do business with very seriously, either through past history or strong recommendation. Our time is valuable and our partners only work with us on life settlement transactions. VERIS is paid on a value-added basis as we are paid a maximum of 10% of the value provided above cash surrender value. This formula aligns us your client as the higher the offer for the policy the higher our compensation. Since inception, VERIS has generated over \$60 million above cash surrender value to owners of life policies.

The cases we are looking for have the following parameters:

- Face amounts of \$250,000 and up
- Ages 80+ or 75+ with health changes since the policy was issued
- Current Assumption UL policies but can price GUL policies
- Last to Die, with one remaining insured living
- Convertible Term
- Premiums of less than 5-6% of DB to maturity

Send me your cases and I will get back to you asap if the policy has value. Call Steve Shorrock at 631-239-6655 or email me the file at [steve@go2Veris.com](mailto:steve@go2Veris.com). Thanks!