



**ADVANCED
SETTLEMENTS, INC.**

*Unlock
the Cash
Potential
of Life
Insurance™*

Advanced Settlements, Inc.
presents

What Agents & Financial Professionals Should Know About Life Settlements



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About Advanced Settlements

- National leader in the Life Settlement industry
- Member of the Viatical & Life Settlement Association of America
- Works with nation's largest insurance producers, brokers & direct capital sources
- Has overseen more than \$1.3 billion in transactions
- Specializes in large cases from \$250,000 to over \$50 million



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What is a Life Settlement

- A Life Settlement is the sale of a life insurance policy by a senior for an amount greater than the Cash Surrender Value of that policy
- The proceeds of the sale can be used in any way and are often utilized to fund other valuable financial products
- Since 1998, many senior policy owners and their financial advisors have found new value in life insurance by using this exciting financial planning tool





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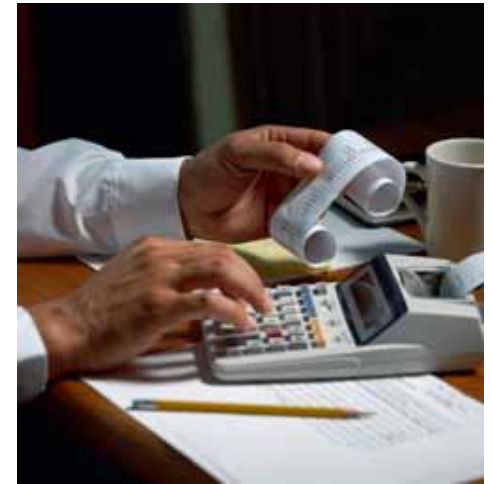
A History of the Industry

- Viatical Settlements arose in the late 1980's in response to the AIDS epidemic
- Viaticals provided a way for HIV-positive individuals to pay for medical treatments and maintain their standard of living
- The shortened life expectancies of those living with AIDS produced a risk-adjusted current value of their policy death benefits that significantly exceeded the surrender value of the policy
- AIDS medications introduced around 1996 made viaticals largely obsolete, but from these beginnings the Life Settlement industry was born (based on an insured's advanced age as opposed to their health)

When to Consider a Life Settlement

Review all insured's 70 and older:

- Does a client need new life insurance, annuity or Long Term Care coverage?
- Has the insured outlived their beneficiaries?
- Have insurance needs changed?
- Are the policy premiums now unaffordable?
- Are estate taxes changing?



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When to Consider a Life Settlement

Review all insured's 70 and older:

- Has the insured's health status changed since policy inception?
- Is the insured a retiring key-man or selling a company/partnership?
- Is the policy owner planning to surrender or lapse a policy?
- Does the insured wish to give to charity while still living?

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Benefits to the Client

- Use settlement proceeds to purchase a less-expensive single life or survivorship policy, annuity or LTC policy
- Provide cash for an emergency situation or for investment purposes
- Provide cash gifts to family members
- Provide funds for charitable giving or to establish a charitable remainder trust



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Benefits to the Financial Professional

- Existing policy stays in-force
- Keep any residuals on the original policy
- **70%** of all life settlements sold are used to purchase new products such as Annuities, Long Term Care, and other Life Insurance
- Receive Life Settlement commissions





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Estate Planning Applications

- Purchase a survivorship policy
- Purchase a new life insurance policy to cover estate taxes
- Provide funds for needed Annuities and Long Term Care
- Provide cash gifts to family members
- Provide funds for charitable giving or to establish a charitable remainder trust





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Business Applications

- Key-Man policy is no longer needed due to retirement or change in business structure
- Pay off a company debt
- Bankruptcy forces liquidation of assets
- Buy/Sell agreement is no longer needed due to the sale of the company
- Fund a deferred compensation program
- Fund severance packages



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Life Settlement Parameters

- Clients age 70+
- \$250,000 minimum face amount
- Life expectancy of 12 years or less (due to age, health or a combination of the two)
- Low cash surrender value (below 30%)
- Minimum loans (below 30%)
- Low premiums (below 4%)
- Ownership can be through an individual, a corporation or a trust



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Life Settlement Parameters (2)

Insurance Policy Types

- Term (if convertible)
- Whole Life
- Variable Life
- Universal Life
- Survivorship (any type)
- Adjustable Life
- Joint First to Die





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The Life Settlement Process

1. The “Policy Evaluation Form” with a signed “Authorization” and “Notice of Disclosure” is submitted
2. Attending physician statements and in-force ledgers are obtained
3. The highest possible offer is negotiated using multiple Life Settlement funding institutions
4. The highest offer is submitted for acceptance
5. Once accepted, a contract is sent out for signatures
6. Change of ownership is completed at the carrier and funds are released to previous owner
7. A 15-day rescission period is applicable in most states



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Case Studies

The proceeds from a Life Settlement are used to fund a more cost-effective life insurance policy.

Problem

This case involves an 82-year-old retired business owner who held two life insurance policies with death benefits totaling \$5 million. One policy was valued at \$2 million and the second was \$3 million – both of which would be payable to a trust upon his death. The plan administrator of the trust desired the same death benefit but wished to reduce the annual premiums totaling \$412,120.

Solution

The financial advisor who wrote the two original policies had recommended pursuing a life settlement and then using the proceeds from that settlement to fund a single \$5 million policy. The highest life settlement offer totaled \$900,000, which would be available for rolling into a new policy. The result would leave the client with the same death benefit coverage of \$5 million, but the premiums would be reduced to \$291,789 – for an annual savings of \$120,331 a year.



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Case Studies

Life Settlement is used to liquidate a corporate buy-sell agreement.

Problem

This specific case involves two elderly sisters who were major company shareholders. The company needed an infusion of cash to pay down debt, increase shareholder dividends, and maintain corporate stability in the event of their deaths. The elderly owners held a combined total of \$3 million in life insurance being used to fund a buy-sell agreement.

Solution

The older sister carried a \$1 million life insurance policy with a cash surrender value of \$7,297. The younger sister had a \$2 million policy with a cash surrender value of \$141,262. Their life insurance agent recommended a life settlement on each policy as the solution. In the end, the life settlement proceeds netted the older sister \$386,965 beyond the cash surrender value, and the life settlement netted the younger sister \$158,738 beyond the cash surrender value.

At the conclusion of the transaction, the proceeds from liquidating the buy-sell agreement totaled \$694,262 in “found money” which was used to address the company’s financial needs.

Case Examples



Universal Life Insurance
Male Age: 78
Face Amount: \$3 Million
Cash Value: \$160,000
Life Settlement: **\$840,000**

Universal Life Insurance
Female Age: 78
Face Amount: \$1 Million
Cash Value: \$42,000
Life Settlement: **\$140,000**

Universal Life Insurance
Male Age: 80
Face Amount: \$560,000
Cash Value: \$27,000
Life Settlement: **\$125,000**

Whole Life Insurance
Male Age: 75
Face Amount: \$1.5 Million
Cash Value: \$78,000
Life Settlement: **\$450,000**

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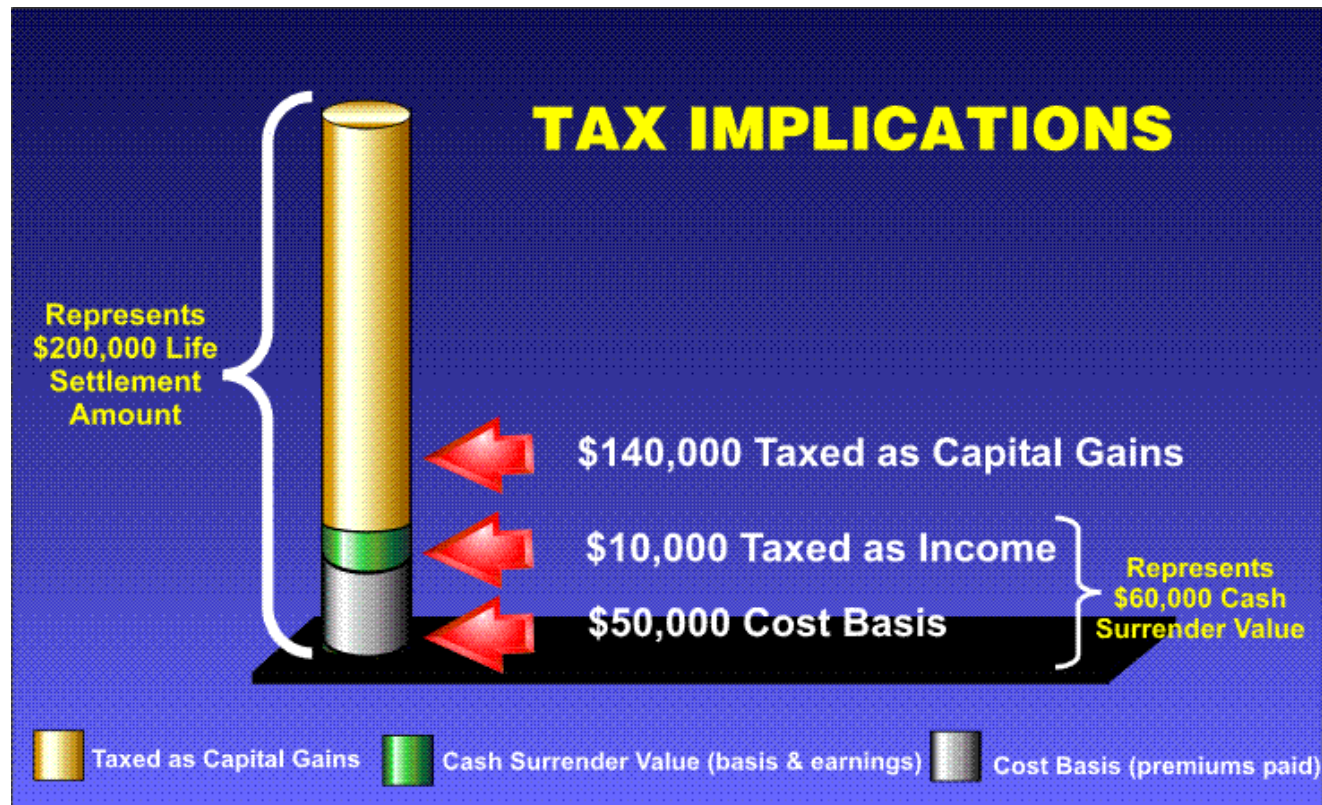
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Tax Implications

Tax scenario based on face value of \$1,000,000

Tax obligations will vary. When considering this or any other financial strategies, Advanced Settlements suggest you consult a tax professional.





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Why Use Advanced Settlements?

- Advanced Settlements' competitive bidding process coupled with our volume and experience generates some of the highest cash settlements in the Life Settlement Industry.
- We have multiple licensed funding sources that generate extremely competitive offers with the highest levels of service and integrity.
- Our Advanced Life Settlement techniques provide the best possible service and settlement to the client and their Financial Advisor. Give us the opportunity to earn your business and you will agree!



About Advanced Settlements



Information Disclosure:

Life Settlement amounts are based on numerous factors. The case examples and information contained herein are for illustration purposes only and do not necessarily represent future or previous offers, statements, percentages or amounts. Average industry payout is approximately sixteen (16) percent of the face amount of a qualified life insurance policy. Actual results will vary. The photo images used in this presentation are used with permission for illustrative purposes only and do not represent the likeness of any individual associated with Advanced Settlements, its employees, agents or clients.



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Questions & Answers

This slide presentation is intended for insurance and financial professionals only. Advanced Settlements, Inc. is a licensed broker or producer in all states where life settlements are regulated, except Kentucky, Oklahoma and Montana.

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