



# The Ultimate Guide to Life Settlements

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**Why surrender, when you could possibly  
sell your unwanted life insurance policy  
for up to 4X more?**

**Use Life Settlements and the Secondary  
Market for Life Insurance An effective  
strategy for wealth creation later in life.**

ARE YOU CONSIDERING LETTING YOUR  
LIFE INSURANCE POLICY LAPSE OR  
SURRENDERING FOR CASH?

# YOU COULD POTENTIALLY SELL YOUR UNWANTED LIFE INSURANCE POLICY FOR UP TO 4X MORE

**“I think I’m just going to cash surrender it.”**

We hear those words more often than we would like to when it comes to permanent life insurance.

When a policy becomes unaffordable or unnecessary, most think the best idea is to surrender the policy while others let it lapse for nonpayment. Some need funds to pay expenses related to senior living expenses or costs associated with assisted living.

Regardless of the need, selling your policy in the life settlement market may be the ideal solution!

**If you have a life insurance policy you no longer want or need, *read this guide*** to find out if you could potentially sell your policy for more than the surrender value in what is known as a life settlement transaction.

WHAT TO DO WITH A LIFE INSURANCE POLICY  
YOU NO LONGER WANT OR NEED

# TURN YOUR UNWANTED POLICY INTO CASH WITH A LIFE SETTLEMENT

We recently had been referred to a client who was going to surrender a large life policy that had a \$72,000 cash surrender value. After visiting with Howard Kaye, he listed the policy for sale on the secondary market and received \$2.7 million in cash a few months later!

**Do not assume that cash surrender is your best option, that can be a huge mistake.** In our experience, simply surrendering a policy without considering a life settlement can result in leaving money on the table. Instead, the best choice is to explore life settlements, which provide cash up front and, in some cases, offer paid up death benefits, or a combination of both.



WE HAVE CONNECTIONS  
TO DRIVE COMPETITION FOR YOUR POLICY  
AND MAXIMIZE THE VALUE OF YOUR ASSETS

# WHY HOWARD KAYE?



## HOWARD KAYE

### Howard Kaye Insurance Agency, LLC

The Howard Kaye advantage is in our rich history and decades of experience. Estate planning can be complex because it overlaps with your tax situation, asset allocation, and individual goals and objectives. Don't trust that job to just anybody.

At Howard Kaye, we offer a policy review and a life settlement option for those who want out of an old policy. We use our connections to drive competition for your policy, allowing you to maximize your payout, death benefit retention, or in some cases, both. Rather than giving up that life insurance policy, contact a Howard Kaye advisor at 866-ASK-HOW-K to discuss our services in the life settlement market.

# CONTENTS

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## WHAT YOU'LL LEARN FROM THIS GUIDE

- The benefits of the secondary market for life insurance and what a life settlement transaction is
- The process of a Life Settlement Transaction in 3 steps and how you can prepare
- How to generate up to 4X more cash for your policy than the cash surrender amount
- How to get the highest offer when selling your unwanted life insurance policy
- Who qualifies for a Life Settlement and how this can change over time
- The pros and cons of a Life Settlement versus cash surrender
- The impact of Estate Taxes on the Secondary Market for Life Insurance
- All policy requirements and considerations needed to be eligible

KNOW YOUR OPTIONS WHEN IT COMES TO  
YOUR LIFE INSURANCE POLICY

# AMERICAN SENIORS ARE LOSING BILLIONS

It's estimated that nearly \$200 billion worth of life insurance will be lapsed or surrendered annually through 2027. Though, not everyone is a candidate for a life settlement you can benefit from reviewing the effectiveness of your policy and knowing your options if circumstances change.

## YOU CAN BENEFIT FROM THIS GUIDE IF:

- ✓ Higher federal exemptions lowered your estate tax bill and need for a life insurance policy
- ✓ You want more cash than the policies cash surrender value
- ✓ Family circumstances have changed (dependents are grown)
- ✓ You are no longer comfortable paying high premiums or your premiums are about to increase
- ✓ You want to learn how to eliminate premiums you can't or don't want to pay
- ✓ You have a term policy you want to convert into a permanent policy in order to sell



# INTRODUCTION TO LIFE SETTLEMENTS

SELLING YOUR EXISTING LIFE INSURANCE  
POLICY ON THE SECONDARY MARKET FOR  
LIFE INSURANCE

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Did you know that there is a vibrant secondary market in which you may be able to **sell your existing life insurance policy**? Your first thought may be, “Why would I do that?” Believe it or not, there are many people who, for a variety of reasons, explore this transaction known as a life settlement.



## WHAT IS A LIFE SETTLEMENT?

A life settlement is a sale of a life insurance policy to a third-party institutional buyer. When you have a life insurance policy that you no longer need or want, you may be able to sell it for much more than the cash value and even retain some of the death benefit.



## HOW DO LIFE SETTLEMENT TRANSACTIONS WORK?

Mainly, you're selling the right to the future value of the policy. The third party is typically an institutional investor who continues to pay the premiums of your policy in exchange for collecting the policy's death benefit once the original owner passes away.





TURN YOUR LIFE INSURANCE POLICY INTO CASH

# YOUR LIFE INSURANCE IS AN ASSET YOU OWN

The life insurance industry dates back to the 1500's, and while it still primarily represents financial protection for loved ones, it continues to evolve and improve upon the value it offers. In the past, policies were more one size fits all because of limited options.

Additionally without the technological advancements we have today, accessibility and communication were limited.

Today, many of the older adults who purchased coverage prior to today's advancements are finding their policies ineffective, unnecessary or too expensive. Fortunately, the life settlement market offers these individuals a way to maximize the value of unwanted life insurance policies by selling them on the secondary market.



Do You need To Get Out Of Your Life  
Insurance policy?

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# CAN A LIFE SETTLEMENT HELP YOU?

*There are a number of reasons why someone might choose to sell their life insurance policy through a life settlement. The most common reasons adults consider selling their life insurance later in life include:*

- Policy premiums are too expensive to maintain or no longer make sense to continue paying.
- The policy beneficiary or beneficiaries are now financially secure or have passed away.
- You need the money to pay for medical bills or another unexpected expense.
- You no longer need life insurance or have another policy that can fill the gap.
- You need cash to fund your retirement goals or lifestyle retirement.
- You have a convertible term policy you want to convert to permanent life insurance in order to sell.
- You believe that the lump sum proceeds from a life settlement combined with the premiums you would have paid into the policy will accumulate to a greater total sum of money when placed into the investment of your choice.

# TOP REASONS WHY PEOPLE GIVE UP THEIR LIFE INSURANCE POLICIES

**There are two main reasons people give up their life insurance policies.** They either find them too expensive or believe they're unnecessary. As we age, due to changing circumstances large premium payments may feel burdensome and for some clients these large premium payments may conflict with their ability to enjoy their desired lifestyle.

**The second reason is simpler:** Due to changes in the federal estate tax exemption that may have reduced overall burden, policyholders may not need their life insurance anymore. Furthermore, several states have passed laws amending or even eliminating their estate tax.





# CHANGES TO ESTATE TAXES CAN ELIMINATE THE NEED FOR A POLICY

In 2001, for example, the top estate tax rate was 55%. Fifteen years later, that rate was reduced to 40% and the Federal Estate Tax Exemption is now \$12.06 million per person, \$24.12 million per couple! Someone who bought a policy back then to discount estate taxes may now find that estate tax isn't as much of a concern. That's when they might consider surrender or sale of their policy.

1 (866) ASK-HOW-K



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**When you have a permanent policy, you have a valuable asset.**

**Even some term policies can be converted and sold in the life settlement marketplace.**

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**Howard Kaye**



# YOU HAVE OPTIONS WHEN YOU WANT TO GET OUT OF YOUR LIFE INSURANCE POLICY

**Some Policies Can Be Sold For Up To 4X More  
Than The Surrender Value**

For the majority of families Life Insurance provides value as a needed protection for its death benefit. Despite it being a necessary protection, the fact is that nearly 90% of all insurance policies will be lapsed or surrendered without paying a death benefit.

When a policy holder no longer has a need for their life insurance or doesn't want to continue paying premiums they have three options. Most often, they either stop paying

the premiums and let the policy lapse or surrender their policy for a minimal sum. The third option is to sell that unwanted policy on the secondary market for life insurance. However, according to LIMRA more than half (55%) of Americans are unaware this option exists.

They are simply not aware that certain policies can be sold for up to 4X more than the surrender value on the secondary market for life insurance.



## WHEN SHOULD YOU CONSIDER A LIFE SETTLEMENT

A person over age 70, who no longer has a need for the life insurance he or she originally purchased could be a good fit for a life settlement.

**\$200  
Billion in life  
insurance  
will lapse  
or be  
surrendered  
every year  
through 2027**



## ***FOR EXAMPLE...***

A business owner who bought a \$2 million policy in 1996 to provide income for his wife and daughter in the event of his untimely death. Now that he has sufficient investment income and assets, selling the policy may make sense.

## Maximize The Value Of Your Life Insurance Policy

# WHY WOULD SOMEONE BUY MY LIFE INSURANCE POLICY?

There are institutional investors out there who may be willing to buy your life insurance policy as an investment alternative. For instance, let's say you're 72 years old and have been making large annual premium payments on a \$2.5 million policy for decades. You decide you no longer need the policy, but you would like more than the \$500,000 surrender value. An institutional investor may look at that policy and say, "I'll give you 40% of the death benefit or \$1 million now in cash for that policy and continue making your premium payments for as long as you're alive."

The logic is that, at some point in the future, the buyer of your policy will collect the full \$2.5 million death benefit. There is, of course, the chance that you'll live past your life expectancy, thereby reducing the returns for the investor, who will need to continue paying to realize the ultimate return. That's a gamble, though, that the investor takes when he or she offers you a life settlement. There is also a chance you will pass away shortly after your policy is bought, creating a larger return potential for the buyer.





## **SAY GOOD BYE TO YOUR OLD POLICY AND HELLO TO FINANCIAL FREEDOM**

In addition to advancing a percentage of the death benefit to the policy owner — which can typically range from 20-50% or more of the original death benefit depending on your age and health — there are other options available with a life settlement. The investor can offer to buy the policy and offer the original owner a “retained death benefit,” which is essentially the continuation of a portion of the original coverage without any additional premium required from the original policy owner.

### **Cash Now, Retained Death Benefit, Or The Best Of Both Worlds..**

A client with a 5 million dollar death benefit could receive a 1 million dollar cash offer on a life settlement or a 2 million dollar retained death benefit for a paid up policy with no further premium obligations. This could be an attractive option for a client who likes the idea of having the life insurance at no additional cost.

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# WHAT IS THE PROCESS FOR SELLING A LIFE INSURANCE POLICY?

## Selling Your Existing Life Insurance Policy On The Secondary Market for Life Insurance

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When you have a whole life or universal life insurance policy that you no longer need or want, you may be able to sell it for much more than the cash value and even retain some of the death benefit. Essentially, you're selling the right to the future value of the policy in exchange for a lump sum payment now, or a reduced benefit without any premium obligation.

## Important Considerations You Should Know Before Deciding to Selling Your Life Insurance Policy

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# HOW ARE LIFE SETTLEMENT TRANSACTIONS TAXED?

Sale proceeds up to the amount of the cost basis are not taxable. Sale proceeds above the cost basis and up to the policy's cash surrender value are taxed as ordinary income. Any remaining sale proceeds are taxed as long-term capital gains. We always recommend consulting with your tax professional before finalizing any life settlement transaction.



# THE 3 STEPS FOR SELLING YOUR POLICY

## Appraisal

During the appraisal, we will review your existing policy and tell you if it's eligible for sale and what you can expect to receive for it. The total offer will be dependent on the death benefit, the cash value, and your own life expectancy. In most cases, life insurance buyers prefer to purchase policies with a low cash value and a short life expectancy, from individuals over the age of 70. This is how they'll see the largest return as they're buying the policy for the death benefit.

## Bidding

The thing to remember is that the appraised value isn't fixed. You can get a ballpark figure and then shop around to see what those in the market are willing to pay. This competition increases the value, so you get the highest payout or the highest retained death benefit.

## Settlement

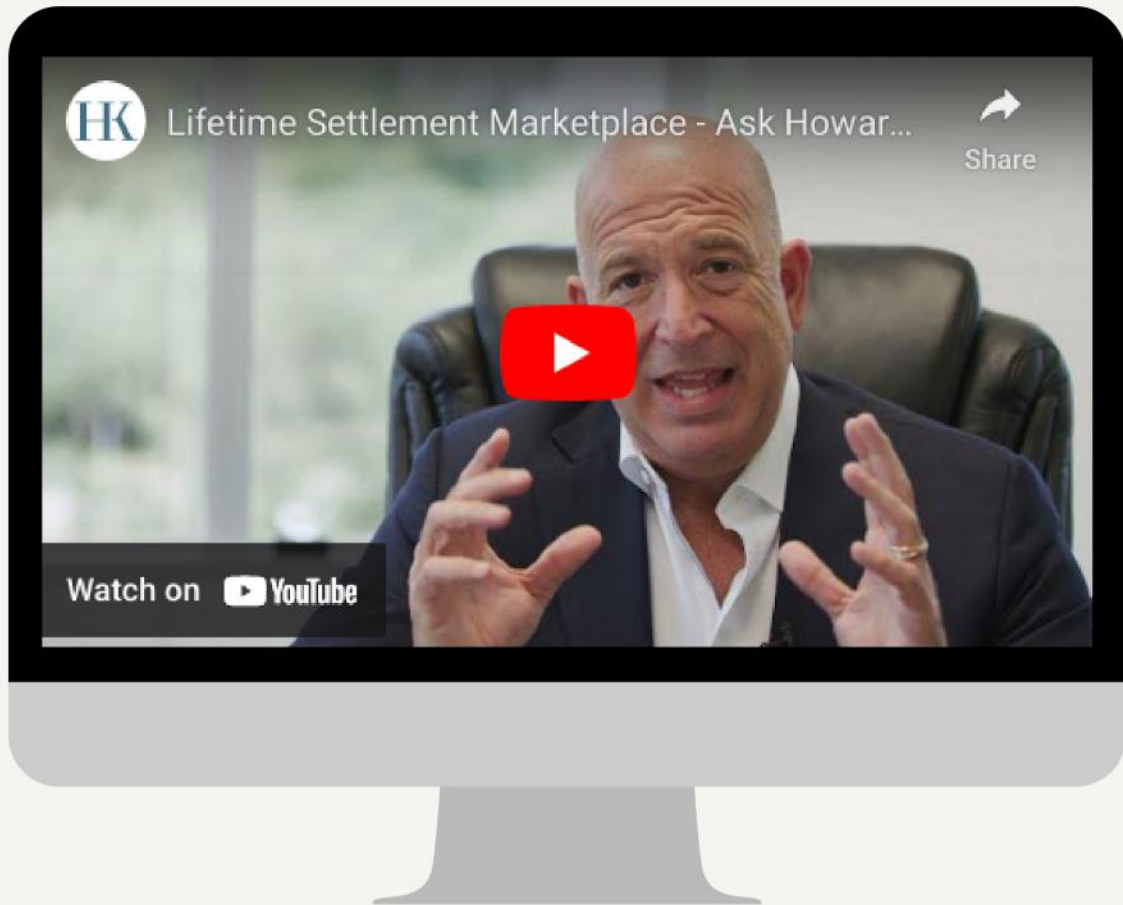
Once you receive a bid you like, then you move onto the settlement process. This involves completing all of the necessary paperwork, changing policy owners, and signing the life settlement contract. At that point, the seller receives their payment and the buyer takes over the old policy.

# FIND OUT IF YOU QUALIFY FOR A LIFE SETTLEMENT

A life settlement can be a great option to get out of an unwanted life insurance policy but they are not for everyone. **The general criteria for qualifying for a life settlement includes:**

- **AGE**  
In most cases, individuals must be 70 yrs of age to qualify for a life settlement, however certain medical conditions may qualify younger individuals.
- **PREMIUMS**  
Illustrated premiums should generally be less than five percent of the policy's face amount. That can vary if based on life expectancy.
- **POLICY TYPE**  
Universal life, Survivorship Universal Life, Convertible Term Life and Whole Life Policies can all qualify for Life Settlements if the policy meets other conditions.
- **DEATH BENEFIT**  
In order to be eligible a policy should have a death benefit or face value that exceeds \$100,000.
- **OWNERSHIP**  
Policies owned by virtually any type of entity can be sold in a settlement—individual, corporate, foundation, business, trust or non-profit organization.
- **DATE OF ISSUE**  
A policy must be active for more than 25 months to be eligible for a life settlement. Some states require a policy to be in force up to 5 years.
- **CARRIER**  
For a policy to qualify for a life settlement, it must have been issued by a U.S.-based carrier with an A.M. Best Rating of B++ or better.
- **HEALTH STATUS**  
Any declining health since you purchased the policy can make the policy attractive to investors

# WATCH THE LIFE SETTLEMENTS WEBINAR



**"BEFORE YOU LOOK TO CANCEL, SEE IF THERE IS VALUE INHERENT IN YOUR LIFE INSURANCE POLICY ON THE SECONDARY MARKET FOR LIFE INSURANCE." - HOWARD KAYE**

If you have an existing life insurance policy you no longer want or need, or you have a policy from days of business that was for key man, other than canceling and taking surrender, look to see if there is value inherent in that life insurance policy on the secondary market for life insurance. Watch and listen to real life examples from Howard in the life insurance education series.

[WATCH NOW](#)

# Get In Touch

Regardless of whether a life settlement is something you'll ever choose to do, we want you to know your options. The sale of an existing life insurance policy can be used for any number of needs, ranging from retirement income to long-term care funding to gifting money to your kids. There are also important tax considerations to take into account.

Call **1(866)-ASK-HOW-K** to contact the experts at Howard Kaye today, and let us review your current policy for you. We'll show you your options and help unlock all of the value from your existing life insurance coverage.



## Find Out What Your Policy Is Worth, Risk Free!

**ASK HOWARD NOW**

*Speak with the experts at Howard Kaye Insurance and let us help you get a quote for your life insurance policy, zero commitment required. It costs nothing to know your options.*

**1(866)-ASK-HOW-K**