



**ADVANCED
SETTLEMENTS, INC.**

*Unlock
the Cash
Potential
of Life
Insurance*
TM



Baker Associates
presents

What Agents & Financial Professionals Should Know About Life Settlements



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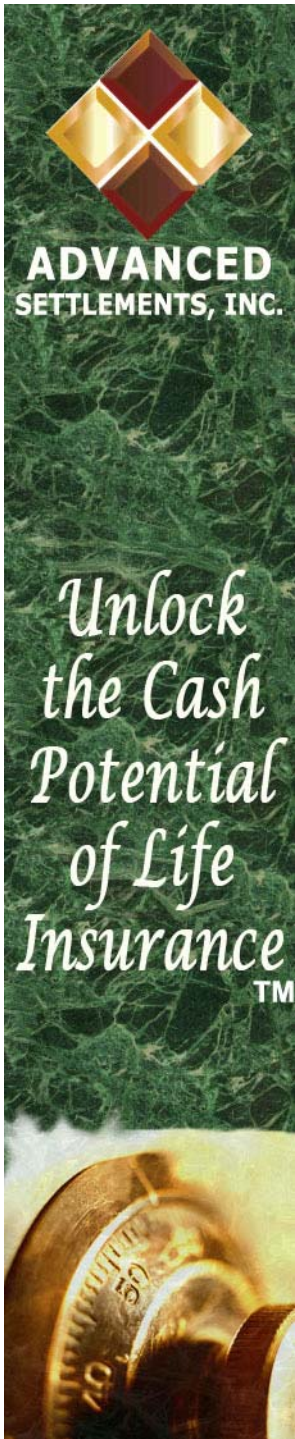
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What is a Life Settlement

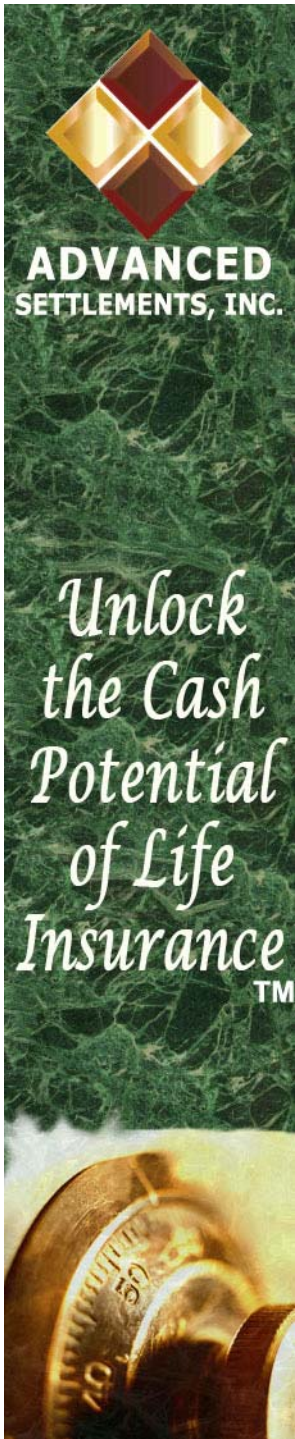
- A Life Settlement is the sale of a life insurance policy by a senior for an amount greater than the Cash Surrender Value of that policy
- The proceeds of the sale can be used in any way and are often utilized to fund other valuable financial products
- Since 1998, many senior policy owners and their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





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)

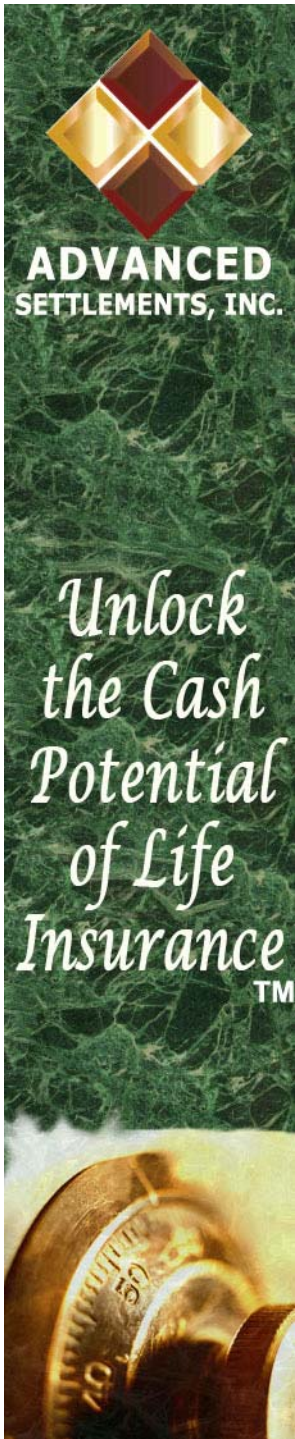


When to Consider a Life Settlement

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?





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



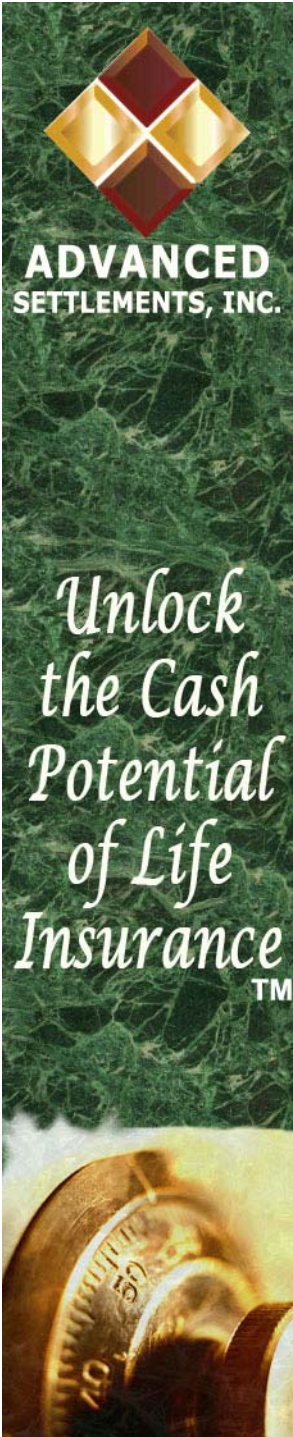
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Benefits to the Financial Professional

- 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





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



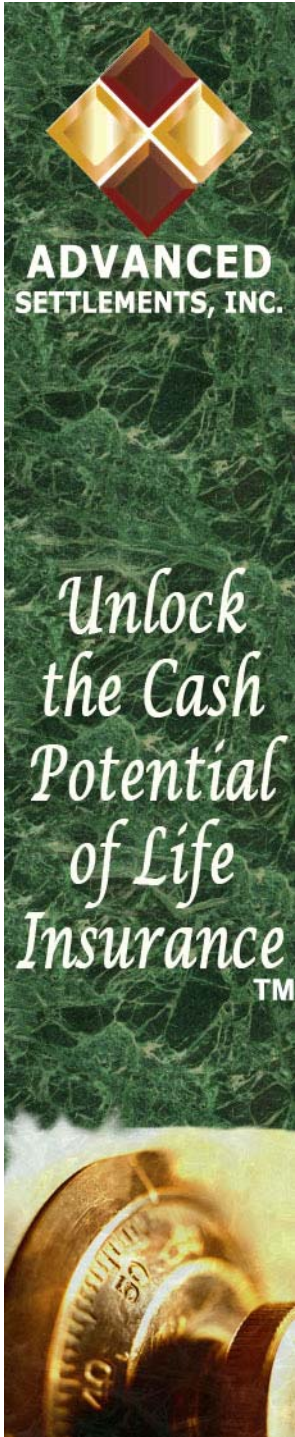


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Business Applications

- 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



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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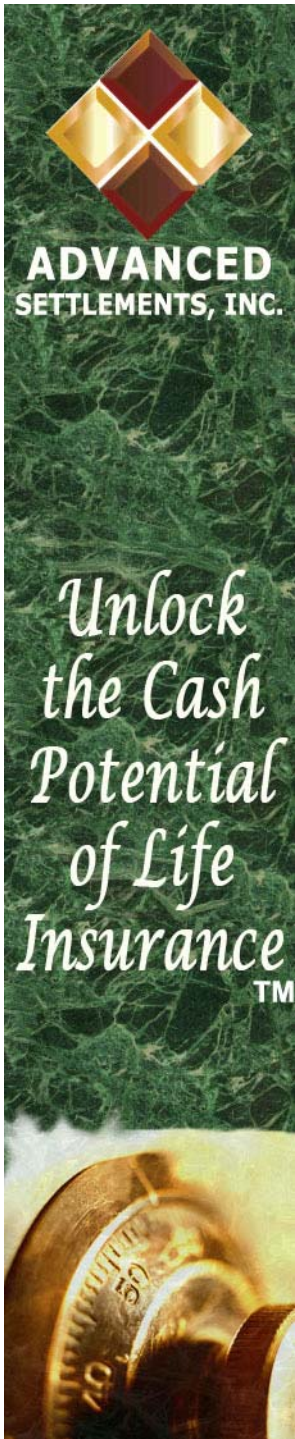


Life Settlement Parameters

Insurance Policy Types

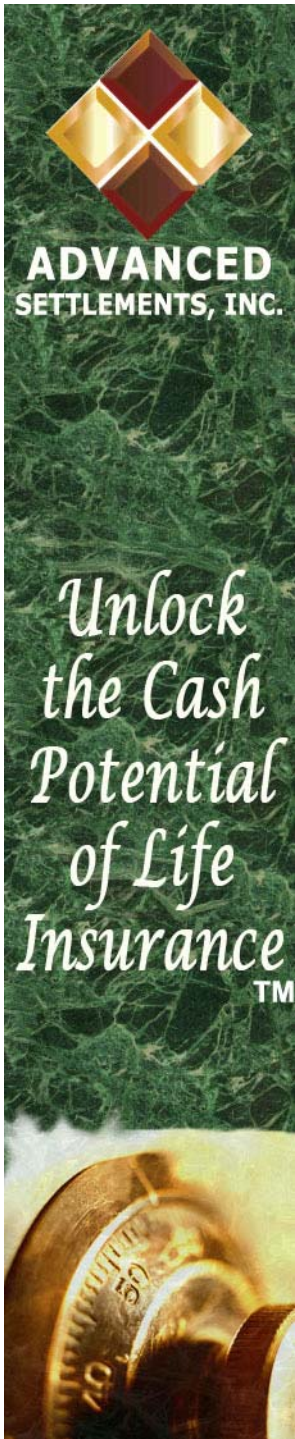
- Term (if convertible)
- Whole Life
- Variable Life
- Universal Life
- Survivorship (any type)
- Adjustable Life
- Joint First to Die





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



Case Example #1:

“Universal Life Insurance”

Male, Age 75

Case Profile:

Client no longer needed insurance and wanted to maximize the payout beyond the cash surrender value. We were able to obtain an offer that was more than nine times the cash surrender value.

Before Settlement:

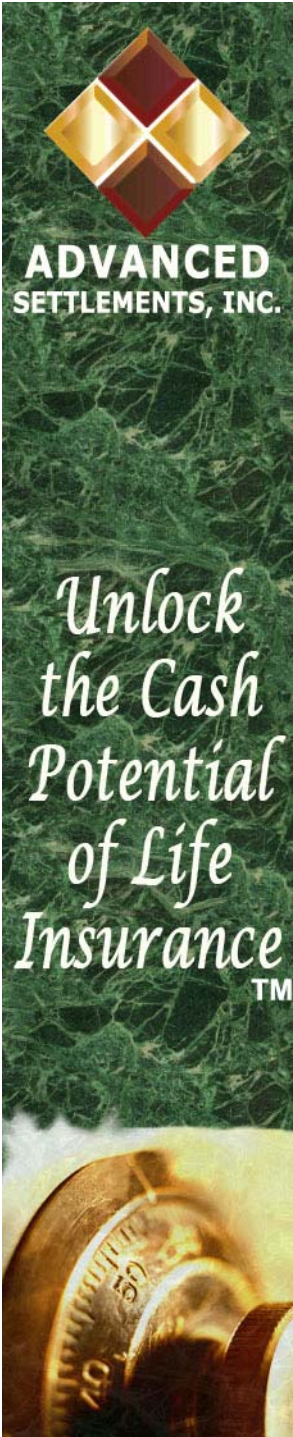
Coverage Amount:	\$ 1,470,000
Premium Payment:	\$ 15,000 (Quarterly)
Cash Value:	\$ 82,276

Advanced Life Settlement: \$ 760,000

(9.2 times the cash value)

Benefits from the Life Settlement:

A portion on the proceeds was used to purchase additional life insurance for his wife.



Case Example #2: “Survivorship Insurance”

Female, Age 77

Case Profile:

The policy was originally written for \$15 million. The insured did not need the full coverage and opted to split it and do a life settlement on \$7 million.

Before Settlement:

Coverage Amount:	\$ 7,000,000
Premium Payment:	\$ 69,300
Cash Value:	\$ 859,683

Advanced Life Settlement: \$ 1,850,000
(2.2 times the cash value)

Benefits from the Life Settlement:

The settlement proceeds were dispersed to her children to enhance their lifestyle.



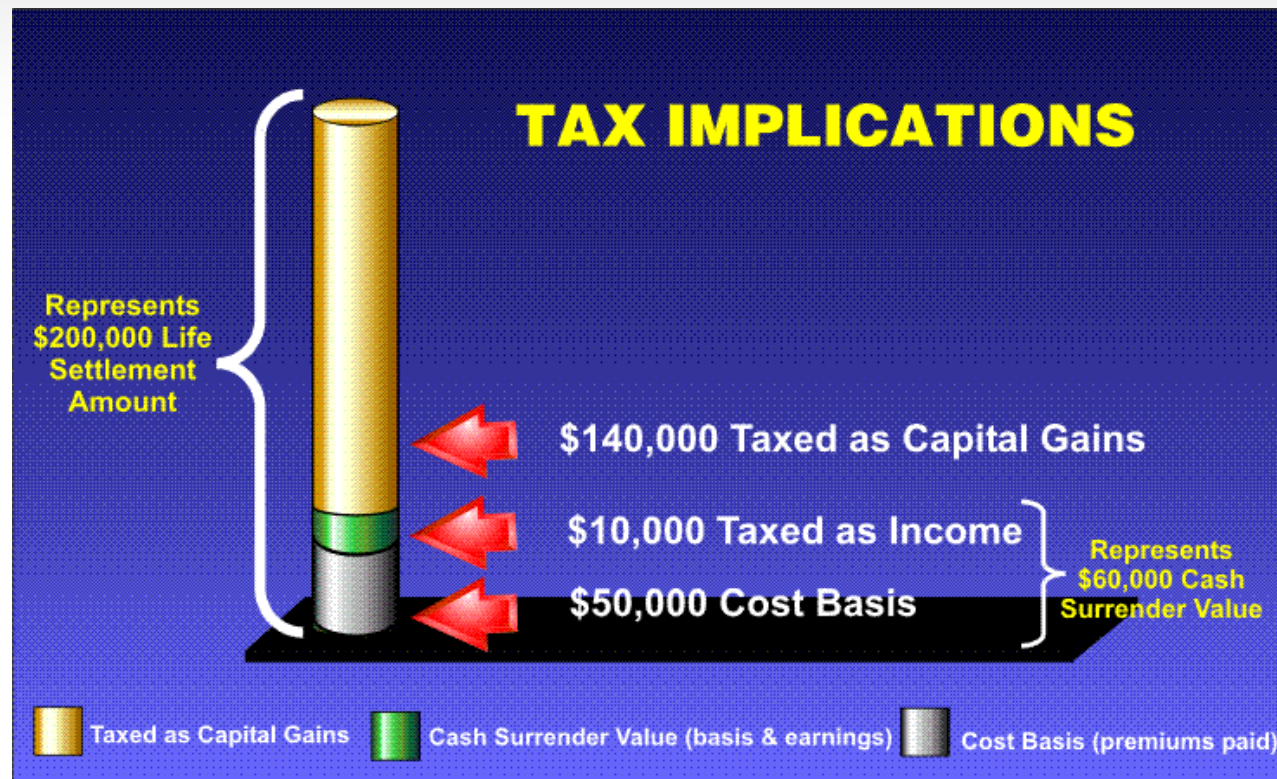
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Tax Implications

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.



Disclaimer:

Life settlements are based on numerous factors. Actual results will vary. The illustration and information contained herein is based on approximate numbers and data. Advanced Settlements assumes no liability for settlement results attained from use of this information. Past performance is not a guarantee of future performance. The information provided is with the understanding that Advanced Settlements is not engaged in rendering legal, accounting, tax, or other professional advice. Before making any decision or taking any action, you should consult a professional advisor.



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