



Speaker: Jamie L. Mendelsohn | EVP | Ashar Group

Maximize Life Insurance Value

Ethical and Professional Responsibility

What is the value of a life insurance policy?

LIFE INSURANCE IS AN ASSET

INCLUDING THE FMV OF LIFE INSURANCE IN PLANNING

A life settlement is the sale of an **existing life insurance policy** for an amount **greater than the cash surrender value**, but less than the death benefit.

FINANCIAL TRANSITIONS

REASONS TO VALUE A POLICY

- No longer needed for estate tax planning
- Policy is too expensive to maintain
- Insured is outliving coverage
- Business owner is retiring
- Cash flow concerns
- Take pressure off adult children
- Create generational wealth
- Spouse pre-deceases other insured
- Create liquidity for planning needs
- Need to fund caregiving or LTC
- Funding retirement needs
- Bankruptcy/divorce
- Donor outliving gift to charity
- Fund new insurance opportunities



INCREASED LONGEVITY

Male Age 87,
Outliving the
Original Plan

\$5M Universal Life

Cash Surrender
Value (CSV) =
\$386K

Life Settlement
Value = \$1.65M
after 24 bids



LONG-TERM CARE CONVERSION

Male Age 72 with a significant change in health

\$1M Convertible Term

Cash Surrender Value (CSV) = \$0

Life Settlement Value = \$472K after 11 bids



PRIVATE CLIENT HNW PLANNING CHANGE

Female Age 76 in
good health

\$10M GUL
Premium: \$300K

Cash Surrender
Value (CSV) =
\$140K

Life Settlement
Value = \$600K
after 24 bids



UNDERFUNDED POLICY IN AN ILIT

Female Age 84
with a change in
health

\$1.5M UL
Premium: \$45,000

Cash Surrender
Value (CSV) =
\$25,000

Life Settlement
Value = \$475K
after 14 bids



ESTATE PLANNING NEEDS CHANGED

Male Age 77 and
Female Age 76
Age-Related
Health Conditions

\$2M Survivorship
Universal Life
Premium: \$40K

Cash Surrender
Value (CSV) =
\$12K

Life Settlement
Value = \$195K
after 14 bids



BUSINESS VALUATION – CORPORATE-OWNED POLICIES

3 Males, Age 80+ \$21M, GUL Policies

Cash Surrender
Value (CSV) =
\$178K

Life Settlement
Value = \$6.9M
after 43 bids

QUALIFIED OPPORTUNITIES

- ✓ Insured age 70 or older (younger with major health impairments)
- ✓ Any policy type \$100K - \$50M
- ✓ No medical exam required, change in health since policy issue

POLICY VALUE QUIZ

- 2-minute questionnaire
- Low, medium, high probability
- Determine the planning path:
 - ✓ Life settlement
 - ✓ Policy valuation/transfer



Practice Tip: Use the PVQ to start the conversation with policy owners

ASK THE RIGHT QUESTIONS



Uncover
potential issues
and
opportunities

1

When was the last time you had your life insurance policy appraised?

2

Are you considering lapse or surrender of any of your life insurance policies?

3

Does the original need still exist?

QUALIFYING INFORMATION

Would you advise a client about an asset without first knowing its value?



Insured(s) Date of Birth



Policy Information (Illustration to age 105)



Health Information to Determine Longevity

Practice Tips

- **Add** the life settlement conversation to policy reviews
- **Sort** your database by age, look for clients paying premiums out of the cash surrender value
- **Notify** clients to reach out to you before cancelling or surrendering a life insurance policy
- **Use** a valuation expert to appraise prior to lapse, surrender, or materially changing a policy
- **Request** current illustrations on an annual basis

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PUBLICATIONS:

Wealth Management
NAEPC Journal of Estate & Tax Planning
Trust & Estates
Tax Adviser Magazine
Society of Financial Service Professionals (FSP)
Estate Planning Magazine

EDUCATIONAL INSTITUTIONS:

Harvard Business School
Columbia Business School
American College (RICP)

INDUSTRY ORGANIZATIONS:

NAEPC, AICPA, FPA, Finseca, BEI

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Maximizing Life Settlement Value Through a Policy Auction

By Jamie Mendelsohn, EVP Ashar Group, LLC

Life insurance can be the largest unmanaged asset that a client owns, and it is rarely appraised or valued. Policy owners allocate significant liquidity on an ongoing basis, many times long after they transition out of the original need that the policy was put in place to protect. Even after a traditional policy review and exploring that benefit or 1035 exchange, the awareness and educating policy planning opportunities, as well as a question, "When was your life in discussions."

Many policy owners have paid for ownership when considering exit strategies on the numerous trust and other strategies. Is an important question, "When was your life in discussions."

The definition of a life settlement is more than the cash surrender value. It is that which will purchase a policy gives life insurance policies for potential. This alternative can fund other life insurance needs. This alternative can fund other life insurance needs. This alternative can fund other life insurance needs.

Life Insurance is an Asset that is undervalued. Life Insurance is an Asset that is undervalued. Life Insurance is an Asset that is undervalued.

ESTATE PLANNING

Longevity Throws a Wild Card in Even the Best-Laid Plans

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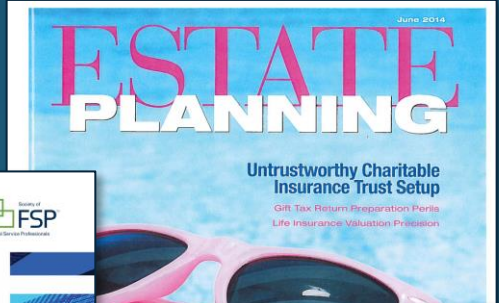
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Untrustworthy Charitable Insurance Trust Setup

Gift Tax Return Preparation Perils
Life Insurance Valuation Pitfalls

HARVARD BUSINESS SCHOOL

Ashar Group: Brokers and Co-opetition in the Life Settlement Industry

Alexander Bravin, Alexander Conkle, Christopher J. Malloy, Diana Yi

PERSONAL FINANCIAL PLANNING



Life settlement options: Getting the best value

The Tax Adviser

COMMITTEE REPORT: INSURANCE

By Jon B. Mendelsohn & Todd I. Steinberg

The Role of Life Settlements in Estate Planning

Capturing unrecognized value in insurance policies

Life insurance is a mainstay in estate and business succession planning. Despite its widespread use, however, many advisors and their clients focus on a policy's death benefit or current cash surrender value (CSV), rather than seeing the value of the life insurance policy as an investment asset with an existing fair market value (FMV). Through consideration of a life settlement, advisors and their clients can appropriately value and potentially monetize life insurance policies to solve immediate financial or non-tax planning needs. The life settlement option is particularly relevant when:

1. A client otherwise plans to discontinue paying premiums; 2. The policy's cash value is diminishing; and/or 3. The client outlives or no longer needs the insurance coverage for its intended planning purpose. Life settlements also can support exit strategies for underfunded (or just performing) policies owned in irrevocable insurance trusts and other premium finance and split-dollar transactions. For more details on the reasons for considering life settlements, see "Sample Case Studies," p. 43.

Client's expect their advisors to know and inform them of all desirable planning options, particularly if those options can provide them with additional current or future value. Understanding and advising on life settlement options can avoid difficult situations when clients, beneficiaries, or family members subsequently learn of life settlements and ask critically if the option was

conveying them the information. The client's decision-maker or other family member can have a valuable role in this process.

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2024 MARKET OUTLOOK

Life Insurance Lapses Expected to Increase in 2024, Creating Opportunities for Investments

By William J. Clark
ASHAR GROUP

Imagine your client wakes up one morning and finds several stacks of \$100 bills piled up on the kitchen table. It's not their own cash that got good use for that money. It's their own life insurance.

Historically, monetizing life insurance policies has been a complex and costly process. Think about your present and the large number of life insurance policies sitting every day as already settled. What are they worth?

According to the 2023 Tomerica Center for Retirement Studies Report, the most often cited retirement issue is declining health that requires long-term care (LTC). Social Security will be reduced or cease to exist in the future (95%), cutting their savings and investment (85%), portable long-term care costs (83%), not being able to meet the financial needs of their family (80%), and cognitive decline, dementia, Alzheimer's Disease (78%).

As more consumers are aware of life insurance investment opportunities that have already served its purpose and no longer needed, but substantial to their beneficiaries, who they should consider to allocate resources to paying premiums on a life insurance policy they no longer need. In such situations, they should consider letting their policy lapse or surrender it to receive any remaining cash value.

What if there was a way to recover all or part of their premiums paid? What if they could receive stacks of \$100 bills from their unneeded life insurance policies that had little or no cash surrender value and recover much more? If they're your present or the present of your 20-40 something clients, would it take some pressure of you and other adult children helping to provide for their aging parents at the very time they have had in college and trying to invest for their own retirement? You bet it would. So, where does that money come from and how do you find it without waiting your time?

Life insurance is an asset that under the right circumstances contains significant market value (MV) just like other ordinary property such as art, collectibles, antiques, jewelry, real estate, or automobiles. All these assets have active secondary markets where buyers are willing to bid for the privilege of acquiring that asset for themselves. The



def: (ash-er) "do what is right and you will be blessed"

JAMIE L. MENDELSON

jamie@ashargroup.com

321.441.1119

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LIFE INSURANCE VALUATION AND LIFE SETTLEMENTS