

# Monetize Life Insurance to Boost AUM

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**Wealth managers have** a unique opportunity to increase assets under management (AUM) by monetizing their clients' existing life insurance policies through the life settlement solution. Many clients are unaware that their policies may hold significant fair market value beyond the surrender value offered by the insurer. By evaluating these policies, wealth managers can uncover opportunities to convert underperforming or unneeded life insurance into liquid assets that can be reinvested to align with the client's broader financial goals. This strengthens client relationships by demonstrating innovative planning and channels funds into managed accounts, boosting AUM while delivering tailored financial solutions.

## Preparing Clients for Potential Tax Changes

The only certainty about tax laws is that they will inevitably change, creating both challenges and opportunities for financial planning. Governments frequently adjust tax policies to address economic conditions, budgetary needs, and shifting political priorities, which can significantly impact income, investments, and estate planning strategies. This unpredictability underscores the importance of staying proactive and continuously evaluating clients' portfolios and strategies to ensure alignment with the latest tax landscape. By emphasizing adaptability, advisors can help clients mitigate risks, capitalize on emerging opportunities, and safeguard their financial well-being amidst constant legislative evolution.

Valuing existing life insurance policies helps wealth managers prepare clients for potential tax changes that may affect their financial strategies. Life insurance is more than just protection—it is a key asset in wealth transfer, retirement planning, and estate management. Tax changes could affect the need for policies purchased for tax purposes. By assessing the fair market value of these policies, advisors can provide clients with a clearer understanding of their financial impact, enabling more informed decisions about whether to retain, modify, or monetize existing policies.



In addition, policy valuation can uncover strategic opportunities for wealth managers to enhance financial outcomes. These may include leveraging the policy for loans, converting it to alternative products, or reallocating premiums to optimize tax efficiency. For clients with substantial

estates, valuation ensures alignment with tax thresholds and identifies ways to mitigate estate tax liabilities. A proactive approach positions wealth managers as trusted partners in navigating evolving tax landscapes, safeguarding their clients' wealth, and achieving long-term financial objectives.

## The Life Settlement Solution Scenarios

You do not need to be a life insurance expert to capitalize on this option. Life settlements are a versatile financial solution relevant to advisors regardless of their practice focus—business succession planning, managing Irrevocable Life Insurance Trusts (ILITs), or supporting charitable giving strategies.

## Business Valuation – Corporate-Owned Policies

For business-focused practices, life settlements can provide liquidity from underutilized policies, funding growth initiatives, or facilitating buy-sell agreements.

**Example:** Three Males, Age 80+, company being purchased by younger executives, \$21M, 3 Guaranteed Universal Life Policies, Cash Value: \$178K, **Life Settlement Value: \$6.9M (after 43 bids)**

This can also be a solution for [convertible term key-man](#) policies on retiring business owners.

## Underfunded Policy in ILIT

Trustees can monetize policies that are no longer needed, relieving the financial burden and keeping the trust aligned with the grantor's wishes.

**Example:** Female, Age 84, \$1.5M Survivorship Universal Life Policy (spouse deceased), Cash Value: \$25K, **Life Settlement Value: \$475K (after 14 bids)**

The life settlement eliminated the future premium burden and funded long-term care for the surviving spouse.

## LONGEVITY PROJECTIONS

According to the U.S. Census Bureau population projections, about 12,000 people will turn 65 every day in 2025.

By 2030:  
All baby boomers will be 65 or older.

## Donated Policy Running Out of Cash Value

Life settlements can transform donated policies into substantial gifts for nonprofits, amplifying philanthropic impact while benefiting from potential tax deductions.

Example: Female, Age 91, \$350K Universal Life Policy, Cash Value: \$4,500, **Life Settlement Value: \$140,000 (after 20 bids)**

A life settlement can also serve as a solution for charitable clients with liquidity constraints who want to make an impact with a beloved cause without disturbing other assets.

## More Planning Scenarios

**High Net Worth Clients**—not every life settlement transaction is needs-based. Rather, it can serve as a solution for HNW clients with estate planning changes or provide an opportunity to unwind complicated insurance structures that no longer serve planning goals.

**Younger Clients Caring for Aging Loved Ones**—you may have clients in their 50s and 60s shouldering the financial burden of caring for aging loved ones. These clients often put off their planning goals and could benefit from simply asking if their loved one has a life insurance policy they no longer need.

The life settlement solution can unlock the hidden value of life insurance assets, solve diverse planning needs, and enhance the outcome of various financial objectives.

## Market Outlook – Catalysts for Growth

The 2025 outlook for the life settlement market is strong, driven by continued advancements in regulation, compliance, and transparency, which enhance trust and attract participation as a mainstream planning tool. With continued education, consumers and advisors have become more aware of this solution as a legitimate and valuable financial option.

With a third of the population moving into the retirement-age demographic, the demand for longevity-based planning solutions continues to grow. Coupled with the ever-increasing need for retirement funding, life settlements provide a strategic way to monetize life insurance policies that are no longer necessary or affordable.

Furthermore, the stability and consistency of institutional capital in the market ensures reliable transaction funding, creating a solid foundation for sustained growth.

These factors collectively position the life settlement industry for significant expansion in 2025, offering wealth managers an opportunity to deliver innovative solutions that align with their clients' evolving financial goals.

## Identifying Opportunities and Getting Started

Look for clients in financial transition with policies that are underperforming, no longer needed, or creating a financial strain due to rising premiums. These may include seniors whose children are financially independent, business owners who no longer require key-person insurance or clients with underfunded policies held in ILITs. Clients facing unexpected

financial challenges or seeking liquidity for other investments may also be candidates.

Next, gather minimal policy and health information to get an initial evaluation or use online tools like this [Life Settlement Probability Calculator](#).

Present the potential opportunity to the policy owner. When approaching clients, frame the life settlement option as a way to unlock the value of their existing life insurance assets and provide more financial flexibility—especially if they are facing rising premiums or changing estate planning needs.

Engage a life settlement partner who can help you position the solution and answer questions about the process.

## Choosing the Right Partner

There are two licensed parties in the life settlement transaction—a life settlement provider representing the buyer's interests and a [life settlement broker](#) representing the seller's (or policy owner's) interests.

Collaborate with a partner who: 1. has a fiduciary duty to serve your client's best interests, 2. ensures compliance with regulatory requirements, 3. maximizes the value to clients by facilitating a policy auction that creates competition among institutional buyers.



## After the Sale

For clients seeking liquidity, the proceeds can be reinvested into higher-yielding assets, bolstering retirement accounts, or diversifying portfolios. Business owners can use the funds to finance succession planning or expand operations, while clients with estate planning needs might allocate the money to reduce estate taxes or fund trusts. Additionally, the proceeds can significantly boost philanthropic goals, enabling larger charitable donations or creating a charitable remainder trust. By guiding clients on strategically deploying life settlement funds, wealth managers help achieve clients' various financial goals and enhance their role as trusted advisors. ■

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