

# The Uncertain Economy Creates More Interest in Life Settlements

by David M. Lewis

Many Americans are understandably concerned about their personal financial future in a challenging and often uncertain economy that the U.S. has experienced in recent months. Not surprisingly, a growing number of senior citizens are looking to their financial advisors for ways to ensure their ability to maintain their lifestyle and protect their financial viability.

Now more than ever, financial advisors and life insurance agents should periodically review the needs of their senior clients to whom they have sold life insurance. Often, senior clients find themselves with life insurance they now view as unnecessary or they see as a financial burden because of the continuing premium. Perhaps a senior client no longer has a spouse or child who will be depending upon a payout after the client's death; the client may need to pay for long-term health care; or the client may have sold his or her business or partnership and no longer needs the key man or other life insurance. Financial advisors can give these clients a real service by informing them of the life settlement option as a way to unlock trapped wealth.

## A Tremendous Growth Opportunity

Each year, the owners of billions of dollars worth of life insurance policies will have an active interest in eliminating or selling their whole life, universal life, and convertible term policies.

The potential market is tremendous. Yet, many of these owners are not aware of their liquidity options beyond a policy's cash-surrender value. But, times are changing.

More than \$2 billion in policies have been purchased since 1997 when life settlements emerged as an alternative to surrendering a policy or simply letting it lapse. The annual amounts of life settlement transactions is expected to grow well into the billions of dollars with the backing of major institutional funders

and the confidence they bring to the life settlement industry.

Bill Wolfkiel, president/owner of American Wealth Transfer Group based in San Clemente, Calif. said, "We have seen, first hand, the growing interest among our senior clients in California to explore life settlements as a viable financial planning tool. This is particularly true of our high net-worth clients who are interested

are uncomfortable with the idea that an individual investor they don't know will own their policy. However, when an institutional investor purchases a policy, it is held as a financial asset and the seller's identity is kept highly confidential.

An increasing number of states (approximately 40 today) regulate the life settlement and/or viatical industry. It is fully licensed in states where it is a requirement for life settlement transactions. An independent and reputable financial institution holds the money in escrow until the change of policy ownership is complete. This mechanism ensures the policyholder a timely payment per the life settlement transaction agreement.

Advisors should also look for providers who are members of the Life Settlement Institute (LSI), a national trade association founded earlier this year. Most institutional-funded life settlement companies in the U.S. are members of the LSI.

The LSI and its members are dedicated to fair marketing practices and the encouragement of an improved regulatory environment. Recently, the LSI announced an initiative to establish a national viatical and life settlement anti-fraud database.

By putting some sound research and thought into the disposition of unneeded life insurance policies, advisors can help their senior clients realize exceptional value from a previously untapped asset. In these uncertain economic times, financial advisors and life insurance agents can help their senior clients protect their personal wealth and ensure their ability to manage their financial needs. □



to sell their personal or business-owned policies and use the proceeds in ways that are more relevant to their stage in life and better suited to their financial needs."

"With the advent of the life settlement industry in the past few years, this financial planning tool presents an outstanding opportunity for seniors to turn an unwanted or unneeded policy into a source of previously untapped additional funds," said Bill Gradison, senior public policy counselor for the Washington, D.C. law firm of Patton Boggs. He is an advocate for life settlements as a viable financial planning tool for senior citizens.

## Identify Reputable Buyers

In exploring life settlements, advisors should only select a reputable buyer. Why is institutional funding important? Some policy owners