

theSettlementMasters.com

ProVisors Tax Masters Affinity Group

Understanding How Life Settlements Can Benefit Your Senior Clients Using a True Fiduciary Like Settlement Masters

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Keeping Wealth in the Family

Settlement Masters is
NATIONALLY RECOGNIZED
Daryl Hable
President



SM has been successfully closing life settlement transactions since **2008** and continues to expand its reach from coast to coast.

Our company is comprised of licensed professionals who take pride in their **fiduciary role** and **reputation** of being consumer advocates for seniors.

As the seniors “right to know” movement expands throughout the insurance industry, so does our passion for doing the right thing for older policyholders.



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What is a Life Settlement?

A Life Settlement is the sale of a Life Insurance Policy for an amount that is greater than the Cash Surrender Value but less than the Death Benefit.

The Insured on the policy should have a Life Expectancy that is greater than 2 years.



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History and Evolution

- The Life Settlement industry evolved from its early roots in a **1911** Supreme Court ruling establishing a life insurance policy as personal property and a sellable asset.
- Momentum gained significantly in the 1980's because of the AIDS epidemic.





History and Evolution (con't)

- National Association of Insurance Commissioners (NAIC) and National Conference of Insurance Legislators (NCOIL) assisted state legislatures to regulate the market with standardized practices through legislation.
 - In 2000, NCOIL adopted the Life Settlements Model Act. The act defines requirements for the licensing of Agents, Providers, Brokers, contracts, advertising, reporting and disclosures, among other things.
- Today, 43 states plus Puerto Rico regulate Life Settlements.



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Role and Responsibilities

**Institutional Fund and
Private Investors**

The source of the money to purchase the policy.
Relationships are coordinated through the Provider.

Provider

The intermediary between the seller and buyer that acquires the policy on behalf of the Institutional Fund and Private Investor. Must be licensed in the state in which the life settlement is being completed.

Settlement Broker

The intermediary between the Seller and the Provider. Must be licensed in the state in which the life settlement is being completed. Maintains a fiduciary relationship with the seller.

**Settlement Masters, a
Certified Fiduciary
Broker**

Expands Fiduciary duty to the seller by completing an audit of the policy to include ways to keep all or some of the policy. Memorializes sales transaction in written report to Policyowner, Insured(s), Beneficiary(s) and Advisor.

**Policyowner
Insured
Beneficiary**

Policyowner, Insured(s) and Beneficiary(s) are all connected to the seller.



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Role and Responsibilities (con't)

	Provider	Broker	Settlement Masters Financial Fiduciary
Is mandated by state law as a Fiduciary for the policyowner/seller	No	Yes	Yes
Required by law to disclose to the seller any compensation/commission paid out	No	Yes	Yes
Uses a competitive bidding process with top Providers to drive up the price of the policy	No	Maybe	Yes
Required by state law to be transparent & disclose all bid amounts from the auction process	No	Yes	Yes
Creates a detailed analysis that protects the Owner, Insured and Beneficiaries from lawsuits	No	No	Yes
Manages the complete documentation & administration process of the transaction	No	No	Yes



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2024 Market Stats

Statistics provided by Life Insurance
Settlement Association 2024 Provider Survey

According to LISA, policies with more than \$100 billion of face value are lapsed by seniors over age 65 each year

Assuming an average policy size of \$500,000, that's equivalent to 200,000 policies per year that are lapsed or surrendered

2,950 settlements were completed by LISA Providers (up 2-3%)

6.5 times higher than the cash surrender value (up from 5x)

\$842 million paid to consumers (up from \$770 million)



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Who is a “right fit”?

- Buyers look at 2 Primary drivers
 - Life Expectancy (how **long** they will pay premium before receiving their return)
 - Policy Premium (how **much** they will pay before receiving their return)

Standard Health LE's in Years			@1% Premium	@3% Premium	@5% Premium
Age	Male	Female			
65	26	27.5	Possible	Won't Work	Won't Work
70	21	22.5	Better	Possible	Won't Work
75	15.1	16.6	Better	Better	Possible
80	12.1	13.3	Excellent	Better	Better
85	8.9	10	Excellent	Excellent	Better
90	6.1	6.9	Excellent	Excellent	Excellent



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The Life Settlement Process using the Settlement Masters Certified Fiduciary Standard of Care





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Settlement Masters Certified Financial Fiduciary Standard of Care



Auction Process





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Policy Diagnostic

POLICY DIAGNOSTIC SUMMARY
PRELIMINARY VALUATION WITH ILLUSTRATIONS

Policy Valuation Date: 11/8/2019

Insured Client: [REDACTED]
Insured Spouse: [REDACTED]
Joint Equal Age at Issue: N/A

Carrier: Lincoln National Life Insurance Company
Owner: Michael [REDACTED], Trustee of the [REDACTED] and [REDACTED]
Policy #: [REDACTED]
Initial Death Benefit: 4,000,000
Net Death Benefit: 4,000,000
Policy Cost Basis: 1,020,000
Term Conversion: No

Product: Survivorship Guaranteed Universal Life
Irrevocable Trust dated October 30, 1992
Policy Date: 10/28/2004
Current Policy Value: 0
Outstanding Loan: 0
Surrender Charge: 59,939
Net CSV: 0

Premium Options to Keep All or Some Of the Policy

	Illustrated Initial Death Ben.	Premium and/or Interest Amt.	Age Policy Will Lapse	Policy Year of Lapse	Policy Year Paid to
1. Continue the Original Planned Premium	4,000,000	68,000	89	16	16
2. Solve for the Premium to [REDACTED] Age 95	4,000,000	171,457	95	21	21
3. Solve for the Premium to [REDACTED] Age 96	4,000,000	180,332	96	22	22
4. Solve for the Premium to [REDACTED] Age 98	4,000,000	200,254	98	24	24
5. Solve for the Premium to [REDACTED] Age 100	4,000,000	239,861	117	43	27
Which Will Keep the Policy in Force to [REDACTED] Age 117					

Preliminary Value (GROSS AMOUNT BEFORE EXPENSES AND LOAN ASSUMPTION)*
Loan Assumption by Buyer
Preliminary Value (GROSS AMOUNT BEFORE EXPENSES AND AFTER LOAN ASSUMPTION)*
Retained Death Benefit Offer
Industry Standard Fees & Expenses
Preliminary LE Range in Months
* Actual Market Value to be Determined through Formal Underwriting.

Preliminary Value Range
881,400 1,192,500
881,400 1,192,500
N/A
To Be Determined after Final Offer
High: 0 Low: 0

Confirmed Receipt of Preliminary Information by:
Policyowner: Michael [REDACTED], Trustee of the [REDACTED] Irrevocable Trust
dated October 30, 1992
Referring Advisor: [REDACTED] Referring Agency: The Producers Group
Documents To Have on Hand: (1) A copy of the Policy; (2) A copy of the Trust if necessary



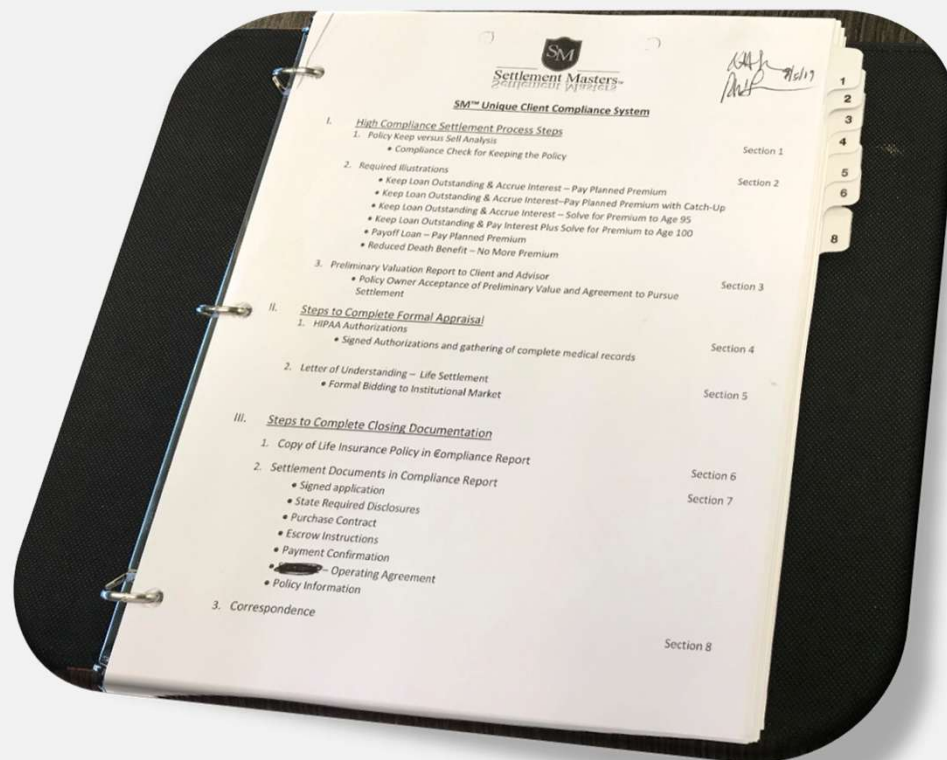
Letter of Understanding

1. Reason for selling the policy
2. Outline of Offer
3. Insurance Capacity
4. Sign-Off by Owner, Insured, and Beneficiary



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Compliance Report





Settlement Broker Compensation

Lesser of:

- a) 8% of the Death Benefit, or
- b) 30% of the Gross Settlement Offer



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Tax Rules Relative to a Life Settlement



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Settlement Taxation

\$1,000,000 UL Policy

- \$70,000 Cost Basis
- \$80,000 Accumulation Value
- \$0 Surrender Charge
- \$80,000 Cash Surrender Value

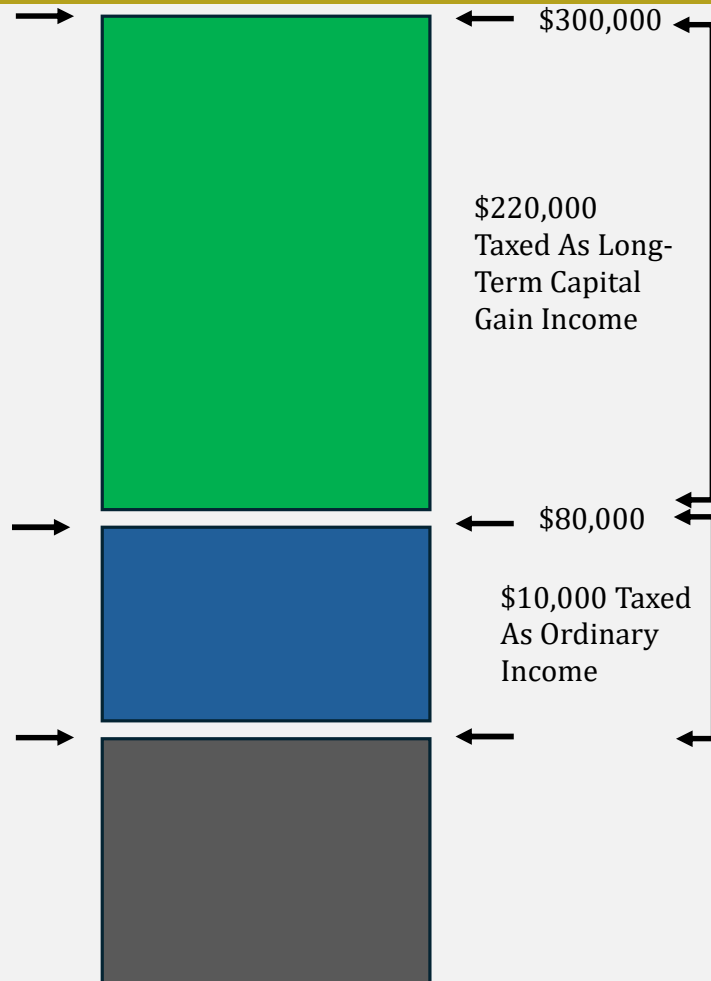
Policy Sold for \$300,000

- Total Gain \$230,000
- \$10,000 Taxed as Ordinary Income
- \$220,000 Taxed as Long-Term Capital Gain

Settlement Proceeds
Paid to Policy Owner

Cash Surrender Value
(Basis + Earnings – Surrender Charge)

Cost Basis





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1099 Forms

Buyer and Insurance Company file 1099's

4343		☐ VOID ☐ CORRECTED	
ISSUER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no.		1 Investment in contract	OMB No. 1545-2281
		\$	Form 1099-SB
		2 Surrender amount	(Rev. December 2019)
		\$	For calendar year 20 ____
ISSUER'S TIN	SELLER'S TIN	Issuer's information contact name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no. (if different from ISSUER)	
SELLER'S name		Copy A For Internal Revenue Service Center File with Form 1096. For Privacy Act and Paperwork Reduction Act Notice, see the current General Instructions for Certain Information Returns.	
Street address (including apt. no.)			
City or town, state or province, country, and ZIP or foreign postal code			
Policy number			

Form **1099-SB** (Rev. 12-2019) Cat. No. 71384X www.irs.gov/Form1099SB Department of the Treasury - Internal Revenue Service
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1616		☐ VOID ☐ CORRECTED	
ACQUIRER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no.		1 Amount paid to payment recipient	OMB No. 1545-2281
		\$	Form 1099-LS
		2 Date of sale	(Rev. December 2019)
			For calendar year 20 ____
ACQUIRER'S TIN	PAYMENT RECIPIENT'S TIN	Issuer's name	
PAYMENT RECIPIENT'S name		Acquirer's information contact name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no. (if different from ACQUIRER)	
		Copy A For Internal Revenue Service Center File with Form 1096. For Privacy Act and Paperwork Reduction Act Notice, see the current General Instructions for Certain Information Returns.	

www.irs.gov/Form1099LS Department of the Treasury - Internal Revenue Service
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Need of More Information?

1. Interested in incorporating Life Settlements in your consulting practice?
2. Do you have a high concentration of “senior age” clients and want to inform them about the Life Settlement option?
3. Do you have a newsletter and require educational content?

Call and Connect with Settlement Masters

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*Thank
You*

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