A PLANNING CONCEPT MOST ADVISORS MISS

Your client's lapsed policy was never worthless.

An introduction to life settlements for fee-only fiduciary advisors.

A life settlement is the sale of an existing life insurance policy to an institutional buyer for more than the carrier's cash surrender value but less than the death benefit. For the right client, settlements routinely produce **multiples of the surrender value** — turning what would have been a lapsed asset into meaningful liquidity.

$112B

LOST EVERY YEAR

in life insurance face value lapses by Americans over 65 — annually.[1] Most of those policies had real, recoverable market value. The owners just didn't know it. Their advisors often didn't either.

8 of 10

policy owners didn't know they could sell their policy in the first place.[3]

49%

of financial advisors admit they lack working knowledge of life settlements.[1]

5.4×

gross offer vs cash surrender value.[4]

THE PLANNING GAP, IN ONE SENTENCE

Every fee-only advisor has clients with permanent insurance they no longer need or can afford — and most of those clients are headed toward surrender or lapse without ever being told the policy might be worth **four to seven times more** on the secondary market. That gap is where the fiduciary opportunity lives.

WHY ADVISORS MISS THIS

IT'S OUTSIDE THE PLANNING TOOLKIT

Settlements aren't covered in CFP curriculum and don't show up in standard planning software. Most advisors learn about them only after a client lapses one.

THE FEE STRUCTURE FEELS DISQUALIFYING

Fee-only advisors worry referring to a transaction-based process compromises their fee-only status. It doesn't. The advisor takes nothing — AdvisorServe receives the fee, and we always select the cheapest of three fee options.

THE BROKERAGE PROCESS IS OPAQUE

Without a partner who handles the medical records, life expectancy reports, auction, negotiation, and closing, the operational lift looks prohibitive. With one, it's a ten-minute referral.

CLIENTS DON'T ASK

Policy owners don't volunteer the existence of policies they're about to drop. Life settlements only get discussed when the advisor brings them up first.

QUESTIONS ON A SPECIFIC CASE?
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[1–2] Why Sell Your Life Insurance Policy (Financial Advisors), LISA, accessed 2025: lisa.org/why_sell-fa [3] The Life Settlements Report, 1/31/2019 [4] Higher Gross Offer than Market Average: Average net Valmark offers compared to average gross offers of the market from 2017–2023.

HOW IT WORKS

What a life settlement actually is — and isn't.

The mechanics, the two paths to value, and who qualifies.

THE TRANSACTION IN PLAIN ENGLISH

The policy owner sells the policy to an institutional third-party buyer (typically a pension fund, hedge fund, or accredited investor pool). The buyer takes ownership, becomes the beneficiary, and assumes responsibility for all future premium payments. The seller receives a lump-sum cash payment that exceeds the carrier's surrender value. The buyer collects the death benefit when the insured passes.

TWO PATHS TO ENHANCED VALUE

1

STREAMLINED

Simplified Settlement Offer

A simplified offer above the carrier's surrender value, with no medical underwriting required.

BEST WHEN:

- Insured is age 70+ and in good health
- Speed matters; client wants cash quickly
- Client doesn't want to share medical records

*Timeline: **~30 days** from referral to funds*

2

MAXIMUM VALUE

Competitive Auction

A formal multi-round auction across the leading institutional buyers — drives the highest offers.

BEST WHEN:

- Insured is 60+ with a health decline since issue
- Maximum value matters more than speed
- Time is available for full process

*Timeline: **3–6 months** from referral to close*

WHERE A BROKER CAN BRING VALUE VS. A DIRECT BUYER

CLIENT'S BEST INTEREST ALIGNMENT

A broker's duty is to the seller. A direct provider's duty is to the investor — they're incentivized to buy cheaply.

MARKETPLACE EXPOSURE

The policy is shopped to roughly 95% of institutional buyers — not just one provider's pricing model. (LISA 2023 Market Data)

COMPETITIVE AUCTION

Multi-round bidding has produced meaningfully higher offers than the initial bid in many cases — sometimes much more.

FAIR-VALUE BENCHMARKING

Decades of pricing data tell us when an offer is genuinely strong — and when to keep pushing.

WHO TYPICALLY QUALIFIES

INSURED AGE
60+ (auction)
70+ (SSO)

MIN. FACE VALUE
$250,000

POLICY TYPES
UL, GUL, WL, VUL, conv. term

OWNER TYPES
Individual, trust, corporate

ONE MORE THING WORTH KNOWING — TAXATION

Since the Tax Cuts and Jobs Act of 2017 (TCJA §13521(a), P.L. 115-97, IRC §1016(a)(1)(B)), life settlement taxation is often minor or non-existent. The portion equal to total premiums paid is tax-free; gain above the cash surrender value is taxed at long-term capital gains rates. When the insured has a life expectancy of 24 months or less, the transaction may qualify as a tax-free viatical settlement under **IRC §101(g)** — meaningful for clients in late-stage health situations. Clients should be instructed to consult their tax professional, as AdvisorServe does not provide tax or legal advice.

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WHAT THIS LOOKS LIKE IN PRACTICE

One client, one second opinion, $356,000 recovered.

And the simplest possible next step.

HYPOTHETICAL CASE STUDY

HYPOTHETICAL CASE

Rex, age 62 — a $1.5M policy he was about to sell for $315K.

> *Rex later said he had no idea how much his policy was actually worth. He was about to sign the direct offer when his advisor suggested a second opinion.*

POLICY SNAPSHOT — ILLUSTRATIVE

Policy type	**$1.5M Convertible Term**
Insured's age	**62**
Direct-to-consumer offer	**$315,000**
Method used (after referral)	**Competitive auction**
Final negotiated offer	**$671,000**
Time from referral to close	**~5 months**

ADDITIONAL VALUE RECOVERED

+$356K

More than 2× the direct offer — illustrative only. Names changed for confidentiality. Past results are not indicative of future outcomes.

IF YOU HAVE A CLIENT IN MIND, HERE'S WHAT HAPPENS NEXT

1
YOU
Send the in-force illustration and a brief situation summary to AdvisorServe.

2
ADVISORSERVE
We evaluate fit, estimate value, and tell you honestly whether to pursue.

3
ADVISORSERVE
We run the auction, negotiate offers, and handle compliance and closing.

4
YOU
You stay the advisor of record. Your client relationship stays yours throughout.

FREE TOOL · BUILT BY ADVISORSERVE

The Life Settlement Estimator.

Plug in a policy's basic details and get a preliminary value range using the same mortality tables and discounted-cash-flow methodology institutional buyers use. Generates a downloadable evaluation report you can share with your client.

advisorserve.com/calculator-lifesettlement

THE INVITATION

Let's spend 20 minutes on the phone.

If even one of the scenarios on page one fit a client you're working with, that conversation is likely worth having now rather than after the policy lapses. No sales pitch, no commitment — just a working session to map your book against the planning concept.

OPTION A · EASIEST
Book directly
advisorserve.com/schedule

OPTION B · EMAIL
Write directly
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Valmark Securities supervises all life settlements like a security transaction and its registered representatives act as brokers on the transaction and may receive a fee from the purchaser. Once a policy is transferred, the policy owner has no control over subsequent transfers and may be required to disclose additional information later. If a continued need for coverage exists, the policy owner should consider the availability, adequacy and cost of comparable coverage. A life settlement transaction may require an extended period to complete and result in higher costs and fees due to their complexity. Policy owners considering the need for cash should consider other less costly alternatives. A life settlement may affect the insured's ability to obtain insurance in the future and the seller's eligibility for certain public assistance programs. When an individual decides to sell their policy, they must provide complete access to their medical history and other personal information.

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