

TIPS FOR GUIDING CLIENTS

Loan vs. Sale

Seniors and those with advanced stage illnesses can leverage their life insurance with a specialty loan or policy sale.

LIFE INSURANCE LOAN (FUNDS FOR LIVING PROGRAM)

Fifth Season, a specialty lender, provides **non-recourse** loans against life insurance policies*. The loans are based on the face value **without regard to cash value**.

*Policy may be Term, Universal, Whole Life, FEGLI or Group.

Typically Two Payments

1. To the insured now
2. To the beneficiaries later

Payouts

- Range between 10-60% of the policy face amount.
- The historic average of the two payments exceeds 82% of the face value.

Generally Non-Taxable

Flexibility

- The loan balance can be repaid at any time with no penalty.
- Additional funds may be available with changes in medical status.

Timing

- Typically takes 4-6 weeks.

Limited Personal Information Exposure

- A small group of in-house staff and medical underwriters have access to personal, financial and medical information.

LIFE INSURANCE POLICY SALE

Known as a Life Settlement, this is a sale of a life insurance policy to a third party for a lump sum payment in excess of the policy cash value.

One Time Payment

- No future benefits

Payouts

- Range between 10-60%+ of the policy face amount.
- Often less than the combination of the two loan payments.

Taxable in Part as Income or Capital Gains

Little Flexibility

- The transaction is complete once the funds are accepted.
- Value does not increase with changes in medical status.

Longer Timing

- Typically takes 3-4 months.

Broad Personal Information Exposure

- Personal, financial and health Information can be shared with multiple life settlement providers, brokers, medical personnel and investment groups.