

Why Charities, Non-Profits and Educational Institutions need to know about Life Settlements

Life settlements are a new “Arrow in the Quiver” for financial advisors and other professionals serving the senior and charitable marketplaces. This new financial planning tool now allows senior policy owners to tap previously unrealized value in their unwanted, unaffordable, or underperforming life insurance policies. This asset can now be liquidated for a fair market value and redistributed to address the current financial planning goals of the owner. Whether the current needs are long-term care, retirement income, charitable giving, a new life insurance policy, or simply a vacation, make sure you understand the opportunities a life settlement may provide your valued clients.

Life settlements also have a profound effect on fundraising opportunities available to Charities, Non-Profits, and Educational Institutions. Most of these organizations currently solicit unneeded life insurance policies as a standard element of their charitable gifting program. These policies provide the organizations with a potentially valuable long term asset and enable donors to benefit from a current tax deduction for the cash surrender value of the policy and ongoing deductions for any future premium payments made on behalf of the charity or institutions.

“Financial professionals need to understand this market and the opportunities and obligations it brings them.”

Trust & Estates, 2002

“The attorney has an obligation to analyze the circumstances to determine if a life settlement is possible to gain the most for the client.”

Pennsylvania Law Weekly, “An Often Overlooked Asset”, January 2004

But what happens when a donor can no longer afford premium payments? What if the Institution or Charity cannot afford to maintain premium payments and the policy is in danger of lapsing? Or when the Institution or Charity finds it needs cash to support current programs?

Previously, the options were limited to reallocating other assets to pay for the life insurance premium payment, surrendering the policy for the cash value or just allowing the policy to lapse.

Life settlements now provide an attractive new option!

A Life Settlement can provide cash that can be applied immediately to today’s needs.

It eliminates costly premiums and annual management and review of donated policies.

You will also see that it reduces the need to spend down assets tied to long-term investments. This in return will provide an opportunity to design new planned giving campaigns that take advantage of the unique benefits of life settlements.

New Gifting Opportunities:

Charities and institutions can communicate to potential donors of unneeded, unaffordable or under performing policies that a life settlement can create immediate benefits for both themselves and the institution or charity.

For the Donor:

You will be receiving a settlement for a value greater than the cash surrender value which in return will increase the size of the gift and the resulting tax deduction. A life settlement will allow the donor to see the donation make a difference - “Giving While Living”. A life settlement may also enable the donor to use tax savings to purchase replacement coverage.

For the Institution or Charity:

A life settlement creates a gift of immediate cash that you will have available for your institution. A life settlement will eliminate the need for ongoing premium payments and/or policy management.

Anytime a client over age 65 is planning to lapse, surrender or donate a life policy to charity, there is potential for a settlement option. This provides attorneys and financial professionals with another “arrow in the quiver” to help serve their clients. Understanding how and when life settlements work is the responsibility of any advisor that serves the senior market.

Find out how you can serve your clients better. Call us, today, to learn how Life Settlements might be a key to helping meet your clients’ goals. Ask about our free Policy Asset Valuation.



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