



THE POWER OF A LIFE SETTLEMENT AUCTION

Professional advisors with clients who no longer need or wish to maintain a life insurance policy have options when exploring the secondary market. Many advisors prudently rely on a licensed life settlement broker to assist them in the sale of the policy and with all aspects of the transaction. However, there is still a large number of professionals persuaded to work directly with only one buyer, called a life settlement provider.

The most important factor to consider when deciding between the broker's "auction platform" model and the buyer's "direct" model, is the competition created by the broker. The auction platform is the only proven strategy for maximizing the purchase price of a client's life insurance policy.

Two Valuable Assets – Your Home, Your Life Insurance Policy

The most effective analogy to illustrate the above point involves the sale of a home. No reputable and experienced financial advisor would ever encourage his client to pick up the phone, call someone who buys properties, receive an offer and say, "Sounds fair to me, send me the contract to sign." Rather, the advisor would strongly recommend engaging the services of a licensed real estate broker, who in turn would list the property for sale on the open market, entertain as many offers as possible to increase the value of the home and obtain the most attractive selling price and sales terms possible.

The real estate broker in the above example represents the

client's interests and is financially incentivized to obtain the highest price for the property – the larger the sale, the larger the commission. Similarly, a life settlement broker represents a life insurance policy owner with the same incentive based compensation structure and must comply with a higher standard of conduct, as discussed below.

Representation in the Life Settlement Marketplace

By accessing the broker platform, the policy owner is represented by a zealous advocate who fulfills a fiduciary duty to act in his best interests, as required by the majority of states. The provider has no such duty to the policy owner. In the simplest terms, the provider represents institutional funds, and is financially incentivized to offer lower purchase prices for policies, in order to maximize internal rates of return of its investment. The broker represents consumers or policy owners and is financially incentivized, as referenced above, to generate higher purchase prices for policies, in order to maximize both proceeds for its clients and commissions for itself. The more money realized by the policy owner, the more money potentially earned by the broker. The financial interests of the policy owner and broker are fundamentally aligned. The financial interests of the policy owner and provider are fundamentally opposed.

Auction Creates Competition

Life settlement brokers generate multiple offers through an "auction" process where buyers are invited to submit bids for

what they would be willing to pay for a policy. Simply put, the highest final bid is the winner of the auction. There can be 10, 20, 40, or more offers on 1 policy! With each ascending offer, the client realizes more money if he decides to sell the policy.

The Welcome Funds auction does not stop, until there is only 1 group left standing, and everyone else has told us that they cannot compete with the high offer on the table. This is how you can confidently tell your clients that you've achieved the absolute highest offer that the market can generate.

Providers often claim that a key advantage of facilitating a transaction through them directly, without using a broker, is the elimination of intermediary fees. "Why pay a broker fee when you can sell your policy directly to us for a "fair market" price, thereby putting more money in your pocket?" On the surface, this seems like a credible proposition. However, additional, critical information needs to be considered before accepting the above argument as true. More often than not, an experienced life settlement broker will create enough competition on a policy sale that the owner will realize more money at the end of the day, even accounting for all broker and advisor fees, compared to transacting directly with only one provider. And how is it even possible to know the fair market value of any policy without soliciting or at least attempting to solicit multiple offers from multiple buyers? The simple answer is, "It's not."

Case Study

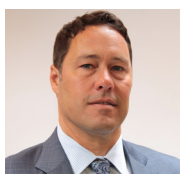
A recent case study from the files of Welcome Funds provides a hard-hitting illustration of the power of the auction and the life settlement broker platform. Welcome Funds was contacted by an individual owner about his policy with a death benefit of \$410,000. Prior to such contact, he was offered \$14,000 for his policy as a result of transacting directly with only one provider. The policy owner thought the offer was low, so he retained Welcome Funds in an attempt to secure a higher price, or at the very least, provide the proper context for the marketability of his policy. Welcome Funds performed an internal market appraisal called "Price-First," and as expected, the policy was worth much more than \$14,000. The necessary documentation was signed and the applicable authorizations were obtained.... and the battle-tested auction process began.

There was a significant interest in the policy and numerous competitive bids on the open market from multiple buyers. The purchase price continued to rise and ultimately, the policy sold for \$175,000, a staggering difference of \$161,000 compared to the \$14,000 originally offered by the one provider! Therefore, even after deducting all brokerage fees, the client obtained more than 10 times he would have received if he finalized the transaction with the one single buyer directly.



Conclusion

The case study may seem like an extreme example, but the truth is, it occurs regularly and far too often. The policy owner can earn more money and be properly and professionally represented by a licensed, experienced broker by not accepting an offer from only one provider. It is a powerful testimony to the advantage of the life settlement broker auction model — *when buyers compete, consumers win*. And that's the definition of acting in the best interests of the policy owner.



Written by
John Welcom
Founder & CEO / Welcome Funds Inc.

ABOUT WELCOME FUNDS

Partner with Welcome Funds and access our Life Settlement Platform for BGA's.

Over the past 24 years, we have served in the best interest of policy owners by maximizing life settlement offers through auction based negotiations. When buyers compete, policy owners win!

36,000+

Offers
Negotiated

\$1+ Billion

Paid to
Consumers

9+

Average # of
Bids Per Policy

CONTACT US TODAY FOR A FREE PRICE-FIRST® REPORT

