



**NEVER  
SURRENDER**

## **NEVER SURRENDER! CONVERTIBLE TERM LIFE INSURANCE AND THE SECONDARY MARKET**

Many people subscribe to the adage of “buy term, invest the difference” when deciding what type of life insurance to buy for their family’s financial protection. It may be a smart strategy for some consumers, but only if they are informed about their exit options.

Advisors are intimately familiar with the three most common outcomes of term life insurance policies, particularly for senior clients: 1) Renewal (when the insured chooses to extend the policy for another term or convert the policy to permanent life insurance); 2) Expiration (when the insured lapses or chooses to surrender the policy); and 3) Maturity (when the insured passes away and the death benefit is paid out). However, there is a fourth and largely overlooked possible outcome that needs to be considered.

Many term policies have value on the secondary market and can be sold for a cash payment, even though the policy has no cash value.

### **Understanding Term Life Settlements**

A common structure for term life insurance policies includes an option for the policy to be converted to permanent life insurance — e.g., Universal or Whole life — at the end of the term. When a convertible

term policy nears its expiration date, the carrier often advises the policy owner of this option, which typically requires a substantial increase in annual premiums. Such an increase can be shocking to a client’s budget, especially if he or she is living on a fixed income in retirement, and therefore, continued coverage is unrealistic.

However, an experienced life settlement broker may be able to identify a third-party investor who would be willing to purchase that convertible term policy. If so, a client could obtain a significant cash payment by selling the policy in a life settlement transaction. Here is how it works.

The broker will evaluate the policy and conduct a series of calculations in order to assess its potential value to buyers, called life settlement providers. For example, Welcome Funds uses a proprietary software tool that considers multiple factors and then calculates the potential value of a convertible term policy on the secondary market.

Next, the life settlement broker will identify and connect with the most qualified and applicable buyers interested in purchasing a client’s policy, based

on the broker's knowledge of the marketplace and the specific policy details. With Welcome Funds, a controlled auction process is created and managed in which licensed life settlement buyers submit their offers for the policy.

If a client receives an offer he or she chooses to accept, then the buyer who purchases the policy will facilitate the conversion from term to permanent life insurance; assume payment responsibility of future premiums on the new policy, and issue a lump-sum payment to the client.

Therefore, a policy that was about to expire and essentially disappear is quickly converted into an asset that generates meaningful cash for a client's retirement fund, with no out-of-pocket expenses.

## A Case Study

The best way to illustrate the power of a term life settlement is to consider a recent case study from the files of Welcome Funds.

Welcome Funds was contacted by a financial advisor and his client owned a term life insurance policy with a death benefit of \$3 million. The policy was convertible to permanent life insurance, but the consumer could not afford the increase in premiums to convert the policy himself and was prepared to let the policy expire. Thankfully, the advisor was aware of the possibility of a life settlement.

Welcome Funds applied its proprietary, internal methodology to assess the value of the policy and determined it was an excellent candidate for a life settlement. Within weeks, Welcome obtained 21 offers (and counter-offers) for the client's policy. The initial offer was \$100,000; the final offer was \$300,000. After deducting all fees, shared with the advisor, the policy owner received over \$250,000.

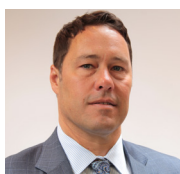
For the consumer, who was on the verge of letting his term policy expire, this was "found money" — and an unanticipated cash infusion for his retirement fund.

## The Key: Working With an Experienced Life Settlement Broker

When an experienced, licensed and nationally recognized life settlement broker is engaged, a client's objectives are aligned with a professional firm that represents the best interests of policy owners, and only policy owners. A buyer has no such ethical and legal obligation and no incentive whatsoever to maximize the offer to a client. Yet, buyers continue to market their services directly to policy owners in an attempt, in part, to eliminate the experienced broker. Based on almost twenty years of representing consumers, Welcome Funds strongly recommends that clients work with an experienced life settlement broker in the life settlement marketplace.

If a senior client has a term life insurance policy that is nearing expiration and renewing or converting it is not possible or realistic, then tell them to, "Never Surrender!" They could be leaving substantial dollars on the table if they qualify for a term life settlement.

For more information, please visit [welcomefunds.com](http://welcomefunds.com) or call 877.227.4484.



**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 TO FIND OUT IF YOU QUALIFY FOR A LIFE SETTLEMENT**