



## PAYING FOR HEALTH CARE COSTS WITH LIFE INSURANCE

A study released by the American Cancer Society in May 2019 found that the high cost of health care in the U.S. is causing financial hardship for more than half of all American adults. Based on data collected from the National Health Interview Survey, the study documented that 56% of adults reported at least one instance of financial struggle due to medical expenses in the past year.

The financial strain created by health care costs is especially acute among seniors, many of which have been forced to confront the unwelcome surprise of having their retirement budgets compromised by medical bills. In fact, a 65-year old couple retiring in 2019 can expect to spend \$285,001 in health care and medical expenses throughout retirement (up from \$280,000 in 2018), according to Fidelity Investments' 2019 Retiree Health Care Cost Estimate. For single retirees, the health care cost estimate is \$150,000 for women and \$135,000 for men.

"For many, loss of health can be the most devastating wildcard in retirement," according to a report from Age Wave, a firm that studies the aging population in the U.S. "Health problems and the cost of healthcare now top the list of retirement worries — and even more so among the affluent."

Seniors who are facing financial pressure created by unexpected health care expenses should explore a solution that can be extremely beneficial.

### Rethinking Life Insurance Policy

As of last year, there were nearly 290 million life insurance policies in force in the U.S., making it one of the most common financial assets owned by American consumers. But what happens when life insurance policies no longer serve its original intended purpose?

To help assess whether a life insurance policy is still wanted or affordable, a few questions should be asked: Is any life insurance coverage still necessary to provide heirs financial protection? If so, what is the right amount of life insurance coverage to maintain? Are the current premiums on the policy exceeding the retirement budget? Have changes to estate or tax brackets affected the need for the policy? Is it necessary to generate cash from the policy to offset other retirement expenses, such as health care bills?

### Potential Strategies to Consider

There are multiple policy exit strategies available to help pay health care bills, upon concluding that a life insurance policy is no longer serving its original purpose. Please find below eight strategies, which offer some degree of financial relief for seniors. All of these options should be considered prior to lapsing, canceling or surrendering a life insurance policy.

- 1. Living Benefits** - Some policies include an Accelerated Death Benefit (ADB) rider allowing the option to accelerate a portion of the death benefit payment. Eligibility for this option typically requires the insured to have a certified life expectancy of less than 12 months from his/her attending physician. The ADB option, if available, may be defined in the life insurance contract and/or maybe verified through the life insurance company.
- 2. Premium Waiver** - Some policies have a rider that allows the policy to remain in force in the event the insured becomes disabled. The life insurance company will reduce or eliminate the premium required as long as the insured qualifies for this provision. The Disability Waiver of Premium (DWP) option, if available, may be defined in the life insurance contract and/or maybe verified through the life insurance company.
- 3. Use Cash Value to Pay Premiums** - Cash value policies may allow a policy owner to discontinue paying premiums if there is sufficient account value in the policy to cover the monthly cost of insurance. This is typically only a short-term solution since the cash value will eventually be depleted.
- 4. Reduce Face Value of Policy** - A life insurance company may permit the policy owner to lower the death benefit of the policy in order to decrease premium payments - such desired reductions should be communicated to the life insurance company.
- 5. Change to "Paid-Up" Policy** - If there is significant cash value in the policy, then the life insurance company may offer a reduced death benefit and waive future premiums in exchange for keeping the entire cash value.
- 6. Policy Loan from the Life Insurance Company** - If a policy has an accumulated account value, then the life insurance company may allow borrowing against a portion of it. The amount borrowed will be deducted from the death benefit, until the loan is repaid.
- 7. Third-Party Loan** - It may be possible to secure a loan or credit line from a bank or another authorized lender. This third-party lender will typically require personal collateral or may use the life insurance policy as sole collateral. Qualification and closing requirements for third-party loans vary and may not be available in all states or to all policy owners.

- 8. Sell the Policy** - The best option may be selling a policy in exchange for a lump sum cash settlement or retained death benefit - this is called a "life settlement" transaction. It is advisable to work with a licensed life settlement broker who determines policy eligibility and represents the policy owner's best interests throughout the process. The licensed broker will require a completed application, if eligible, which includes obtaining policy information and health details of the insured. The broker will then negotiate with multiple state licensed buyers who compete to extend the best offer to purchase the policy.

## Conclusion

Of all these options, life settlements will likely generate the largest amount of immediate cash flow to help pay for immediate and ongoing health care bills. Life settlement transactions are highly regulated, with laws in over 40 states, and the industry has been experiencing steady growth in recent years as more seniors become aware of the option to sell their unneeded, unwanted and cost-prohibitive life insurance policies.

If interested in obtaining a free and objective review of an existing life insurance policy, then please contact an experienced life settlement broker, who is both legally and ethically obligated to represent your best interests.

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



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## 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**