

Life Settlements as a Wealth Management Tool

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As the life settlement marketplace continues to expand and as increased numbers of high net worth seniors seek liquidity from unwanted life insurance policies, it is obvious we are seeing just the tip of the iceberg relative to the industry's impact on the financial services marketplace.

According to Rob Odell, a certified financial planner with expertise in charitable giving, "it is important for financial advisors to view a life settlement as just one tool in the mix as it relates to an overall estate planning strategy. A life settlement should not be viewed as an isolated transaction toward achieving a client's philanthropic legacy - but rather it should be a part of the donor's estate plan."

One of the ways that life settlements is playing a key role as a wealth management tool is the opportunity to use the proceeds from the settlement for replacement coverage. Approximately 50 percent of the cases coming through our door involve strategies whereby the proceeds, or a portion of the proceeds, are used to finance a better performing policy now that the rates for seniors are more competitive than they had been years ago before the mortality tables were adjusted.

I believe an increased number of wealth management professionals are just now beginning to understand how seniors can leverage the value of their life insurance to achieve a number of financial objectives. Although some financial professionals who have been involved in life settlements for several years have noticed the growing acceptance to the idea of selling policies on the secondary market, there are many others who are just now learning about the concept. It is likely that within the next few years, the number of financial advisors handling life settlements will increase dramatically due to the bottleneck of aging, wealthy baby boomers who are looking at the option for themselves, or for their aging parents. According to an article in the September 2004 issue of the *Journal of Financial Service Professionals* entitled "**Life Settlements as a Viable Option**", it is estimated that life insurance in force for those over the age of 65 is approximately \$500 billion. The article points out that the universe of potential policy sellers should greatly expand over the next ten years due to lower estate tax rates and baby boomers turning age 65. The growth in the number of cases that we have handled just within the past 12 months is a harbinger of the industry's future growth. To date, we have transacted more than \$1 billion in life settlements and expect that number to increase substantially by the end of 2004.

The inquiries from institutional investors that flow in to our office on a regular basis are an indicator that the rapidly growing life settlement industry has made at least a mini-debut or soft-opening in the capital markets. Institutions from around the world that have been named in published media as investors in life settlements include Lloyds of London, Merrill Lynch, CNA, Citibank, GE Capital, AIG, The Bank of New York, Gen Re, and a number of others.

And although we view as an encouraging sign the fact that investors perceive stability and long term growth in the industry, we are also reminded that a growing market requires gatekeeping/maintenance, due diligence and prudent regulatory activity. At Advanced Settlements, we are actively engaged in helping to steer responsible regulatory activity through our involvement with the Viatical and Life Settlement Association of America (VLSAA) where we provide representation on the board. We look forward to continuing our leadership and educational outreach activities as this exciting industry moves forward.