

OPTIONS FOR CLIENTS WHO NO LONGER WANT OR NEED INSURANCE



	Surrender	Recalibrate	Exchange to New Policy	Exchange to Annuity	Exchange to Hybrid Long Term Care	Life Settlement
Overview	<ul style="list-style-type: none"> • Receive cash surrender value • Income tax due on gain • If cost basis exceeds cash surrender value, lose unrecovered basis 	<ul style="list-style-type: none"> • Modify to a new use or to make self-supporting • Reduce death benefit to let grow or to allow for income from policy • Reduce death benefit so policy is self-supporting 	<ul style="list-style-type: none"> • Alternative to keep • Single premium guaranteed maximum death benefit structure • Single premium minimum death benefit structure for distributions 	<ul style="list-style-type: none"> • Option if unwilling to keep life policy in any fashion • Full cost basis transfers to annuity • On existing annuity, infusion of basis can help offset existing annuity gains 	<ul style="list-style-type: none"> • Lump sum or limited pay structure • Flexibility – provides a guaranteed LTC benefit, death benefit, or a return of premiums 	<ul style="list-style-type: none"> • Usually requires health decline since policy issue • May get offer that is less than the death benefit and greater than cash surrender value
Considerations	<ul style="list-style-type: none"> • No underwriting • May incur surrender charges • Modified Endowment Contract (MEC) and/or policy loans could trigger tax liability 	<ul style="list-style-type: none"> • No underwriting • May require carrier approval • Could incur surrender charges on face reduction • Watch for MEC, especially on survivor policies 	<ul style="list-style-type: none"> • Requires underwriting • May incur surrender charges • Watch for policy loans and/or MEC on existing policy • Exchange must be “in kind”, ownership and insured match on transfer 	<ul style="list-style-type: none"> • No underwriting • May incur surrender charges • Surrender value must be greater than zero • Exchange must be “in kind”, ownership and insured matches ownership and annuitant • Watch for policy loans 	<ul style="list-style-type: none"> • Requires simplified underwriting • May incur surrender charges • Watch for policy loans on existing policy 	<ul style="list-style-type: none"> • Requires medical records and a life expectancy report • Only certain policies will be desirable • Carrier ratings may impact availability
Individual Profile	<ul style="list-style-type: none"> • No longer wants to pay premium • No longer desires death benefit protection • Needs liquidity 	<ul style="list-style-type: none"> • Desire to modify existing policy based on current objectives • Decline in health from original policy issue 	<ul style="list-style-type: none"> • Desire to improve existing coverage based on current objective • Individual is still insurable 	<p>Immediate</p> <ul style="list-style-type: none"> • Desire for guaranteed income • Moderate to long life expectancy <p>Deferred</p> <ul style="list-style-type: none"> • No longer wants to pay premium • Desire to continue tax deferral and preserve life insurance cash value • No immediate income need 	<ul style="list-style-type: none"> • Desire to leverage existing life insurance cash value for long term care benefits • Death benefit protection not a top priority 	<ul style="list-style-type: none"> • Individuals age 70+ • Life expectancy of 14 years or less • Decline in health from original policy issue