OPTIONS FOR CLIENTS WHO NO LONGER WANT OR NEED INSURANCE



	Surrender	Restructure	Exchange to New Policy	Exchange to Annuity	Exchange to Hybrid Long Term Care	Life Settlement
Overview	 Receive cash surrender value Income tax due on gain If cost basis exceeds cash surrender value, lose unrecovered basis 	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	 Alternative to keep Single premium guaranteed maximum death benefit structure Single premium minimum death benefit structure for distributions 	 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 	Lump sum or limited pay structure Flexibility – provides a guaranteed LTC benefit, death benefit, or a return of premiums	Usually requires health decline since policy issue May get offer that is less than the death benefit and greater than cash surrender value
Considerations	 No underwriting May incur surrender charges Modified Endowment Contract (MEC) and/ or policy loans could trigger tax liability 	 No underwriting May require carrier approval Could incur surrender charges on face reduction Watch for MEC, especially on survivor policies 	 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 	 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 	Requires simplified underwriting May incur surrender charges Watch for policy loans on existing policy	Requires medical records and a life expectancy report Only certain policies will be desirable Carrier ratings may impact availability
Individual Profile	 No longer wants to pay premium No longer desires death benefit protection Needs liquidity 	Desire to modify existing policy based on current objectives Decline in health from original policy issue	Desire to improve existing coverage based on current objective Individual is still insurable	Immediate Desire for guaranteed income Moderate to long life expectancy Deferred No longer wants to pay premium Desire to continue tax deferral and preserve life insurance cash value No immediate income need	 Desire to leverage existing life insurance cash value for long term care benefits Death benefit protection not a top priority 	Individuals age 70+ Life expectancy of 14 years or less Decline in health from original policy issue