

Your Changing Life—Insurance

Once you know life insurance evolves, you may discover you want to sell your policy and replace it with a newer model.

BY M. BRYAN FREEMAN

You probably take it as a given that new models of automobiles and other technology emerge on a regular basis. But, did you know there are literally newer "models" of life insurance policies being developed all the time?

Couples need to take this into consideration when doing estate and financial planning because a relatively new concept called a *life settlement* gives them an opportunity to harvest the assets tied up in a policy. The proceeds can then be used to purchase either a newer model life insurance policy that is better suited to their current needs or some other financial or investment product altogether.

In short, a life settlement is the sale to a third party of an existing life insurance policy for more than its cash surrender value but less than its net death benefit. Such transactions are usually undertaken—based on the insured's shortened life expectancy—for the purposes of estate or financial planning. The option is also available to some people who are terminally ill.

So, as two people become a couple, or as they face significant life changes, like retirement, the sale of a business or such, they should consult with a professional who is knowledgeable about both life insurance and life settlements. The time may be right to jettison an old model policy.

This may be especially true in the case of seniors who own term life policies, the premiums on which rise significantly at the end of the term—so tell your parents. With the help of a knowledgeable advisor, couples with term insurance can convert their policy into a modern universal life policy. Or they could convert to two universal policies, arrange a life settlement on one of the new policies and keep the other for a beneficiary. Or they might simply choose to transact a life settlement on their policy and invest the settlement proceeds in an option other than a life policy. (Life settlement proceeds may be used for any purpose.)

There is tax liability and other such issues to consider, so couples weighing the life settlement option should consult their accountant, financial advisor or attorney.

Even so, savvy couples should regularly review their life insurance needs with a qualified professional and they should know that life insurance changes and that a new "model" may be better suited to their evolving needs. There is an option—a life settlement—that can help you and your spouse harvest the value in an outdated life policy.

M. Bryan Freeman, a licensed insurance agent for 28 years, is founder and president of Habersham Funding LLC, an Atlanta-based life settlement provider that does business nationally. He completed four terms as president of the Life Insurance Settlement Association, and now leads LISA's government relations efforts. He can be reached at 888-874-2402 or bfreeman@habershamfunding.com.