



## Life Settlement Case Studies

### CASE STUDY #1

#### The Problem:

Client was a small marketing firm who owned a \$1.2m term insurance policy on the previous owner who has since retired. The policy's term was nearing an end and it would have cost \$75,000/yr to convert the \$1.2m to a permanent policy. Due to the high conversion premium, the company had made the decision to let the policy lapse when the CFO decided to consult Crescent Wealth Management.

#### The Solution:

Through our relationships in the secondary market, Crescent was able to obtain a life settlement\* offer of \$247,000 for the policy, which the company took. (They had previously looked at this option through another broker and had been told that \$10,000 was the maximum offer in the secondary market).

### CASE STUDY #2

#### The Problem:

Client was a small business owner who was required to maintain a \$1.7m insurance policy to securitize a loan to the business. The issue is that the policy, without a significant increase in premium (\$78,000/yr), was set to expire in two years while the bank note called for four more years of coverage. Because the client had some significant health changes since the current policy was issued, they felt that finding newer cheaper coverage wasn't an option and therefore had resorted to paying the higher premium.

#### The Solution:

Crescent Wealth Management was able to first procure a life settlement\* offer on the existing policy in the amount of \$450,000. Second, we were able to obtain a favorable underwriting offer which allowed us to provide a new \$1.7m policy that would guarantee coverage for the full four year term that the bank required. The new policy required total funding of \$110,000. That left \$290,000 after tax to the company after the total plan was implemented.

\*The term *life settlement* refers to the sale of a life insurance policy by the policyowner to an unrelated third party for an amount that typically exceeds cash value. Please see disclosure page for complete disclosure information. Crescent Wealth Management, Inc. does not provide legal or tax advice.

## Life Settlement CASE STUDY #1

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CURRENT COVERAGE
<i>Death Benefit = \$1,200,000 term</i>
<i>Cash Value = \$0</i>
<i>Term Expiring in one month</i>
<i>\$75,000/year conversion premium (cost prohibitive)</i>



PROPOSED SOLUTION
<i>After Tax Life Settlement Offer: <b>\$247,000</b></i>
<i>(Existing broker told client that \$10,000 would be maximum offer)</i>

## Life Settlement CASE STUDY #2

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CURRENT COVERAGE
<i>Death Benefit = \$1,700,000</i>
<i>Cash Value = \$0</i>
<i>Bank requires 4 more years of coverage</i>
<i>Would cost close to \$160,000 to maintain coverage through bank term</i>



PROPOSED SOLUTION
<i>After Tax Life Settlement Offer: <b>\$450,000</b></i>
<i>Use \$110,000 to fund required insurance</i>
<i>Retain over \$290,000 after tax settlement \$'s</i>
<i><b>Value added: \$450,000</b></i>



C R E S C E N T   W E A L T H   M A N A G E M E N T



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