



# Case Studies

*Buckeye Life Resources*

The following examples demonstrate the potential value of life settlements:

### **Coverage No Longer Needed**

Insured	76 y/o male
Life expectancy	9 years
Policy type	Universal Life
Death benefit	\$5,000,000
Surrender value	\$0
Proceeds to seller	\$840,000
Value created	\$840,000

Originally in place as a key-person policy for an LLC, coverage was no longer needed because the company's owner sold the business.

### **Unaffordable Premiums**

Insured	82 y/o male
Life expectancy	5 years
Policy type	Universal Life
Death benefit	\$3,000,000
Surrender value	\$25,000
Proceeds to seller	\$600,000
Value created	\$575,000

The trust that owned this policy lacked the funds necessary to maintain coverage, so the proceeds of the sale were evenly divided by the beneficiaries.

### **Long Term Care**

Insured	91 y/o female
Life expectancy	3 years
Policy type	Universal Life
Death benefit	\$1,200,000
Surrender value	\$25,000
Proceeds to seller	\$355,000
Value created	\$330,000

The sale proceeds were used to fund ongoing long-term care expenses for the insured in the face of escalating life insurance premiums, which were projected to exceed \$400k for the next three years.

### **Retained Death Benefit (RDB)**

Insured	85 y/o female
Life expectancy	8 years
Policy type	Universal Life
Death benefit	\$2,000,000
Surrender value	\$30,000
Proceeds to seller	\$30k cash + \$900k RDB
Value created	~\$640k *

The owner could no longer justify paying premiums, but still wanted coverage for the beneficiaries of her estate. A retained-death-benefit sale satisfied both objectives.

### **Charitable Gift**

Insured	84 y/o female
Life expectancy	7 years
Policy type	Universal Life
Death benefit	\$5,500,000
Surrender value	\$500,000
Proceeds to seller	\$500k cash + \$3M RDB
Value created	~\$2.2M *

One of multiple policies in place, the owner no longer needed this coverage so elected to gift the retained death benefit component of the sale to a charitable organization (while recouping the cash in the policy).

### **Lapsing Term Policy**

Insured	74 y/o male
Life expectancy	4.5 years
Policy type	Term
Death benefit	\$700,000
Surrender value	\$0
Proceeds to seller	\$110,000
Value created	\$110,000

Instead of allowing his term coverage to lapse, the owner converted the policy to a universal life product as part of the sale (and was reimbursed by the buyer for the conversion premium).

\* Present value of the RDB (at 5% and the life expectancy)