

YOUR LIFE INSURANCE POLICY

Is selling it the right move?

If you've ever thought about letting a life insurance policy lapse, surrendering it, or wondering whether it's even worth keeping — there's a third option many people don't know about: **selling the policy for cash today**. This is called a **life settlement**. Here's what to know.

| What it is | Who qualifies | How it works |
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| A life settlement is the sale of an existing life insurance policy to a third-party investor for a cash payment that is more than the policy's cash surrender value but less than the death benefit. You receive a lump sum. The buyer takes over the premiums and receives the death benefit later. | Generally, the seller is 65 or older with a policy face amount of at least \$100,000 and some change in health since the policy was issued. Most policy types qualify — universal life, whole life, convertible term, even some group policies. If you are seriously ill, a special type called a viatical settlement may apply, with different rules. | Your information is reviewed confidentially. If a settlement is offered, you compare it against keeping the policy, surrendering it, or letting it lapse. There is no obligation to accept. If you do accept, the funds are paid to you and the new owner takes over premiums. Most states allow you a rescission window (typically 15–30 days) after the contract is signed. |

WHAT ABOUT TAXES?

Federal tax treatment generally follows three tiers: (1) **tax-free** up to what you've paid in premiums (your basis), (2) **ordinary income** on the amount between your basis and the policy's cash surrender value, and (3) **long-term capital gain** on anything above the cash surrender value. If you qualify as a viatical settlement (terminally or chronically ill), the proceeds are generally tax-free. State tax treatment varies. Ask your tax professional or look at the tax guide at pinelakelegacy.com/tax-treatment-of-life-settlements/.

QUESTIONS TO BRING TO YOUR ADVISOR

- What is my policy's current cash surrender value, and what's my basis (cumulative premiums paid)?
- If I stopped paying premiums today, when would the policy lapse?
- Does anyone in my family financially depend on the death benefit?
- Would surrendering the policy free up funds I actually need, or just simplify things?
- Am I licensed to receive a settlement in my state? (Most states require the buyer to be licensed.)
- What is the rescission window in my state, and what disclosures should I receive?

Pine Lake Life Solutions

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