

Research Piece: Life Settlement – What Is It and How It Can Help Your Clients? by Jerry Dickman and Art Scevola

Here at the FRED Report, we endeavor to assist Financial Advisors with their businesses. The idea presented below is a unique way to assist clients that I had never really heard of, and although it is outside our normal bailiwick, I thought it might be of use to advisors. Please read the article below, and then we will feature Jerry on a call to explain this concept further and answer questions on this and any other insurance questions listeners may have.

*Today I want to introduce a longtime personal friend, **Jerry Dickman**, who spent 30 years at Merrill Lynch, dividing his career between being a top Financial Advisor (FA) and being a **Founding Father of Merrill Lynch Life Agency** in 1979. His long career at Merrill included being both a top retail producer, as well as managing the Eastern Division specialist system in insurance and high net worth insurance strategies. Jerry's West Coast partner, **Art Scevola CLU, ChFC**, was with Merrill Lynch for seventeen years in Florida, and also the Northwest. He was one of the leading producers at the Life Agency and later a successful FA. Prior to retirement from Merrill, both Jerry and Art have successfully worked with scores of high net worth clients through the FA system in Florida and the Pacific NW, where Art now resides.*

The purpose of having Jerry address us is that in his unique specialty (the life insurance settlement field), older insured's have the opportunity to monetize unneeded or expensive large life insurance policies in the secondary market, thus releasing the cash settlement made for reinvestment or income purposes. This generates new dollars, thus the advisor may gain an increase in production without having to find new clients.

Importantly, Jerry and Art do not participate in any way in the investment or any use of the resulting sales proceeds, which is completely for the financial advisor.

When completing a financial review with their clients, many financial advisors have discovered a new and valuable service for their high net worth clients. After determining that their aged 70 and older clients no longer need or desire to continue their in-force life insurance policies, they may suggest that consideration of the life settlement as a solution be examined. We serve as professionals specializing in working with financial advisers in helping to create the avenue for monetizing such in-force policies. Once we are brought into a case, we coordinate with our life settlement broker in order that the insureds current policies are properly appraised, based on current medical details and most recent policy statements. Once such facts are available our settlement broker firm is empowered to submit the policy(s) for bid to 10-15 institutional investment companies in order to secure the highest cash offer. **A major point to be understood is that the financial advisor does NOT have to spend time or resources to undertake this process**, as this is precisely our role. Life settlement works well with both convertible term and universal life policies. Occasionally we examine variable and whole life programs, even though they are less attractive to the institutional buyers in this industry.

Life Settlement transactions may also be quite attractive to non-profit institutions such as hospital and medical foundations of size. Donated policies need updated appraisals in order to lessen or avoid the risk of loss due to both lapse and rising premium costs. Often institutions such as hospitals and universities are ill equipped to measure these risks. Another segment of life settlement is found in the business and corporate marketplace that includes certain key man and/or buy-sell policies subject to being discontinued at retirement or as other separation of ownership takes place.

Lastly, a pressing financial need may be found with clients at cancer treatment centers, or even nursing homes, when the life expectancy of the patient is shorter and their cash needs are dramatically higher. Readers can see that there are many instances where current cash in hand would be more important than cash at the end of life. Life Settlement is a relatively new way to generate a cash infusion that could benefit clients and their families. Included is Jerry and Art's contact information:

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