



# Faggio Financial

EQUITABLE SOLUTIONS AND PROSPERITY PLANNING  
*Professional Guidance for Divorcing Individuals*

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## DID YOU KNOW?

**That under certain conditions, a life insurance policy may be converted to a Marital Asset available for distribution to either spouse?**

In many cases, spouses own old life insurance policies and the discussion ensues over whether to drop the policies, use any existing cash value to pay debts, distribute to either spouse, etc. Now there is an opportunity to “extract water from a stone” where the owner of the policy can sell an existing policy in a secondary market. In this transaction called a Life Settlement, the insured passes on all ownership and policy payments to a third-party life settlement company that pays the insured a cash payment that is often higher than the cash value of the policy. The existing protection can, in fact, be a term policy.

This is a straight-forward business transaction where an individual can create “something from nothing.” Investors (the Funder) are pooling their money and receiving a generous rate of return by using the laws of averages of hundreds, if not thousands of lives and benefits in the millions. It is now “main stream” in the investment world.

Financial Planning wise, individuals considering this transaction must not need the insurance. We must consider the needs of the spouse and children (for support), and also any estate tax requirements. The policy needs to be appraised by the purchaser so the insured must authorize the release of medical records.

Key factors in determining whether a Life Settlement is an option are:

1. Generally, a minimum age of 65 or older (could be younger, depending upon health)
2. Life expectancy should be longer than two years
3. Minimum face value of the policy should be \$250,000 (can combine policies to reach minimum)

Life Settlements can more likely be used outside of divorce settlements; however, in reviewing net worth statements during the negotiation process, it is important to recognize the potential for additional marital property.