

4 Life Settlement Best Practices

Protect Clients' Interests [\(view original post\)](#)

If you are a financial professional, it is in both you and your clients' best interests to discuss and explore life settlements. Let's say that after client discussion, you and your client move forward with a life settlement transaction. How do you ensure that you're protecting your client every step of the way? Here are four best practices that will protect your client's best interests during a life settlement.

Initiate a discovery process.

The good news is you don't need to be a life insurance expert or even have a life insurance license to help your client with a life settlement transaction. The first step you should take is to institute a discovery process with your client regarding their life insurance. Use the same process to discuss a client's life insurance policy as you would when discussing any other of their valuable assets. It's that easy.

You can start by determining the following: What insurance company has your client signed a contract with? Who is the beneficiary? What will future years look like if your client continues to pay his or her current premium? Once you have a grasp of these basics, you can determine how life insurance fits into the planning objectives of your client in financial transitions.

Ask your client the right question.

Believe it or not, you might be the only person to ever ask your client: "When was the last time you had your life insurance appraised?" With senior clients who have owned their life insurance for an extended period of time, there's a high probability that the advisors who initiated the insurance purchase are no longer in the picture.

Appraisals are vital in determining whether investing in life insurance is worthwhile or detrimental, a wise decision or an unadvised one. A life insurance appraisal is the key to determining if your client is paying for unnecessary premiums, if their policy is no longer needed, and more.

Never let a universal life or convertible term policy lapse without first having it checked for Secondary Market Value.

You can use our quick, seven-question [policy value quiz](#) as a screening device with any client that is planning to lapse or surrender their life insurance policy. And yes, you should do this with term insurance as well. Here's a good benchmark to use: Seek an independent appraisal for all policies/insureds that score 38 or greater on the policy value quiz.

Select an independent life settlement resource that represents your client.

Before selecting a life settlement resource, verify that they sit on the same fiduciary side of the table as you and your client. To do this, have the life settlement resource provide all the reps and warranties that prove their fiduciary orientation.

As for the firm itself, we recommend selecting a firm that believes the policyowner should have guidance from their advisor and advisory team, and that brings the necessary skill set to help you control the case and manage the expectations of all stakeholders. It's a good idea to continually educate your clients to avoid providing information to life settlement direct buyers and marketers that have a fiduciary responsibility to the buyers. These direct-to-consumer resources are known to disintermediate the client's advisor and/or advisory team.

For more information on how the life settlement process works, and whether it is an option for your client, give us a call. Our team of experts is dedicated to asking and answering the crucial questions that will help you make informed decisions. Though a life settlement isn't right for everyone, Ashar Group can be part of the process of determining whether it makes sense for your client's situation.



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