



Insurance



Life Settlements
—They Come
at a Price

The Company You Keep[®]

Have you been approached by a life settlement broker asking to purchase your life insurance policy? Or are you thinking about contacting a life settlement company to sell your policy? If so, you owe it to yourself to get the facts about these complex financial transactions, because such a decision could have very serious and far-reaching consequences — for you and your beneficiaries. By selling your policy you will give up valuable benefits and put your financial plans at risk.

Life settlement brokers are aggressively courting people like you who want or need cash and have been led to believe that the easy way to get it is by agreeing to sell their policy for more than the cash value. The life settlement companies making this pitch are positioning themselves as service organizations by appealing to consumers through internet ads such as “Untap hidden wealth. Sell your life insurance policy now. Fast offers.”

The Risks of Dealing with Life Settlement Companies

Despite such come-ons, the life settlement industry, as a whole, doesn't have a long record of service to the public. In fact, many of the participating private enterprises¹ have been in business a relatively short time. Moreover, unlike life insurers, which are regulated individually by each state, life settlement companies may have little, if any, oversight in some states. Furthermore, those

who broker life settlements may not be properly trained, licensed, or sufficiently experienced in these intricate transactions to adequately counsel consumers about their life insurance, making people they're doing business with vulnerable to inappropriate sales.

What They're Offering: The Short-Term Gain of Life Settlements

Let's say, for example, that you've incurred large, unexpected expenses recently, but are short on cash. You have a \$1 million life insurance policy, with \$200,000 of cash value, and you are approached by a life settlement company that offers you a lump sum of \$300,000 for your policy. Part of this payment may be taxable, by the way.

Still, this chance to sell your life insurance policy for quick cash may seem like a pretty good deal. And, the opportunity to get money immediately to pay your bills may not only give you a sense of relief, but also give you the impression that you've regained control of your finances.

But bear in mind that life settlement companies typically purchase policies from people who have had an unfavorable change in health. To sell your policy at that time — when it is more valuable than ever before — just doesn't make sense. In the example above, you would be losing a death benefit of \$1 million — usually free from federal

income tax — for a possibly taxable payment of \$300,000. While the offer is \$100,000 more than the policy's surrender value, it is \$700,000 less than the policy's actual value. A life settlement company will *not* give you the real value of your policy.

What Consumers May Lose in the Long Term: The Down Side of Life Settlements

In addition to possibly putting yourself at financial risk in the event of a serious illness, you and those you care about may face considerable losses as a consequence of selling your life insurance policy. These losses include:

Protection. By selling your policy, you'll deprive your beneficiaries of a death benefit when you die. The new owner will name a beneficiary, who will collect the otherwise income-tax-free proceeds on your passing.

Without a death benefit, your beneficiaries may have to rely on other assets after your death, assets vulnerable to inflation or a plunge in the stock market. Furthermore, the sale of assets to pay bills could have an unpleasant consequence for those you leave behind — taxes.

The growth of cash value. This will end with the sale of your permanent life insurance policy. Since cash value grows tax-

¹ Life settlement companies are not considered insurance companies, according to the Federal Trade Commission.

deferred, that could mean a substantial loss for you and your beneficiaries. Additionally, if you own one of our whole life insurance policies² and sell it, you would not be eligible to receive dividends if they're declared³ — extra income that can be used to pay bills or your life insurance premiums or to repay policy loans.

Privacy. Strangers will have ready access to personal information about you, including your medical history, if you sell your policy. After you sell your policy, you will be contacted regularly by someone you do not know to see if you are still alive!

Peace of mind. No one knows what the future holds. What if you die suddenly? Without death benefit proceeds, will your loved ones have enough to help settle debts, avoid selling assets to pay bills and taxes, and run the household? They had better because only the life settlement company will gain at your death.

In addition to these potentially devastating losses, consider this: If you sell your life insurance policy to a life settlement company, you will be involved with a policy-for-cash business that has no policyholders, no life insurance risk, and no requirements for solvency or reserves. Furthermore, a life settlement broker may sell your policy to

an investor, who will have a major stake in your early death and stands to make a substantial profit from it. At your death, someone whom you do not know will be enriched. Is this really the answer you're looking for?

There Are Better Alternatives

Life settlements are not a good solution for the vast majority of policyholders. If you need money for an emergency — or simply to meet a changing need — you may have more alternatives than you realize. They include:

- Borrowing against the cash value of your permanent life insurance policy — taking either a loan or a partial withdrawal — as your needs change over time⁴
- Using your policy as collateral for a bank loan
- Asking your agent about adding a Living Benefits Rider on your life insurance policy, which gives you tax-advantaged access to a portion of your policy's eligible life insurance benefit during your lifetime, should you be diagnosed with a terminal illness.

Talk Things Over with a New York Life Agent First

The purpose of life insurance is to help build your financial foundation and protect your financial resources. So it's important that you sit down with your New York Life agent to carefully review your situation before you make a decision about dropping or selling your life insurance policy. Together, you can gather the facts, assess your financial situation, and explore alternatives that better meet your needs.

You owe it to yourself — and those you love — to ask any questions you have and find out the full, long-term implications of accepting a life settlement. Our agents, who are the best-trained in the industry, are eager to work with other members of your financial team in developing the right plan for you and your beneficiaries — one that won't jeopardize your future or short-change theirs.

² Whole Life, Modified Premium Whole Life, Custom Whole Life, Survivorship Whole Life.

³ Dividends are based on the policy's applicable dividend scale, which is neither guaranteed, nor an estimate of future results. Although dividends cannot be guaranteed, New York Life has paid dividends for more than 150 consecutive years.

⁴ Policy loans incur interest and reduce the policy proceeds at death by the amount of the unpaid loan plus interest.

New York Life: *The Company You Keep*[®]

Unlike life settlement companies, which may come and go, New York Life — the largest mutual life insurer in the U.S.⁵ — has been in business since 1845. For more than 163 years, we have been providing quality insurance products to individuals, families, and businesses. During this time, we have conducted our business around the central values of financial strength, integrity, and humanity — and have remained committed to being a mutual company, owned solely by our policyholders. This means that, regardless of the economy, our focus is fixed on just one objective: meeting the needs of our customers, now and far into the future.

If you're considering selling your life insurance policy, talk to your New York Life agent today and find out why it may be in your best interest to let us continue to be *The Company You Keep*[®].

⁵ Based on total revenues (*Fortune* magazine, April 30, 2007).



New York Life Insurance Company

New York Life Insurance and Annuity Corporation (A Delaware Corporation)
51 Madison Avenue, New York, NY 10010
www.newyorklife.com