

Cashing Out Your Life Insurance Policy with a Life Settlement

You've probably heard the term "life insurance settlement" countless times on the news or from friends.

It can be confusing since life insurance policies usually only pay out after someone's death. But these settlements can be a life saver for someone with a policy that they've paid into for years and who is now in need of cash.

But what exactly is a life insurance settlement and how does it work? Here's the lowdown on these increasingly popular transactions.

Who qualifies?

Anyone with a life insurance policy can enter into a life settlement. You don't have to be terminally ill or debilitated.

It's important to distinguish between life settlements and what are called "viatical settlements." In a viatical settlement, a person who is terminally ill can sell their life insurance policy to an investor. As a result, they get to cash out a portion of the policy's face value, which may help them cover medical bills or other costs.

On the other hand, you do not need a life-threatening illness to sell your life insurance policy in a life settlement.

These contracts are most appealing to seniors with shorter life expectancies and whose beneficiaries no longer need financial support. That's why life settlements are sometimes referred to as "senior settlements."

How it works

In a nutshell, when you take part in a life settlement you sell your existing life insurance policy to an investor. In exchange, you receive cash equal to a share of the current policy's face value.

Once the investor or life settlement company buys your life insurance policy, they become the beneficiary of the policy. The investor continues to make premium payments on the policy, and when you pass away, they receive the full amount of your policy's death benefit.

Is a life settlement right for you?

If you are considering selling your life insurance policy, you should keep a few things in mind.

Your top consideration should be if you have beneficiaries who would need your life insurance money if you passed away.

For example, if you have minor children or a spouse and a large mortgage, a life settlement may not be a good option. That's because these beneficiaries may rely on the death benefit from your policy if you were to die.

If this is the case with you and your family, you may consider taking out a loan instead of taking part in a life settlement.

However, if your children are grown adults and all of your beneficiaries can care for themselves financially, a life settlement could be a good choice.

Of course, you may want to let your family know that you are considering selling your life insurance policy вЂ” that way, they won't have any false expectations.

The difference between settling and surrendering

A life settlement is not the same as surrendering your life insurance policy. When you surrender your insurance policy, you are simply giving it back to the insurance company for the cash value of the policy.

On the other hand, a life settlement allows the investor or life settlement company to take over the policy. In most cases, life settlements offer a higher payout than surrendering your policy.

However, whether you are considering settling or surrendering, you should seek professional guidance first.

We can help you make the right choice and determine which option will be most beneficial to you.

Why are life settlements so controversial?

As life settlements continue to grow in popularity, con artists and scammers have emerged trying to snatch a piece of this booming market.

A few of these illegitimate, unethical "investors" have taken advantage of unsuspecting seniors selling their life insurance policy. As a result, the entire life settlement industry has come under a lot of scrutiny by the media.

However, not all life settlement companies are bad apples. There are still countless trustworthy companies throughout the country.

If you are considering a life settlement, do your research and contact us to help you find a reliable company to handle the transaction.

When you work with a highly regarded professional on your life settlement contract, you'll know that your transaction is handled correctly and ethically.

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