

A life insurance policy is an asset you can sell

Written by Lawrence Castillo Guest Columnist
Friday, 21 October 2022 03:50



Did you know that you have a valuable asset that is often overlooked and may not be included in conversations regarding your financial portfolio? It's your life insurance policy. Many people are not aware that a life insurance policy is an asset that can be sold with some of the terms being set by the owner.

All too often, life insurance owners surrender their policy to the insurance company instead of getting a quote in the "secondary" market for what it's actually worth. The market value of a life policy can be as much as eight times more than the surrender value! If you have a life policy that is unwanted, unneeded, or has become unaffordable, you can get a quote for the cash value in the open market. Typically, you will have several choices as to the disposition of your policy.

One option is to settle for an all-cash offer and surrender any and all ownership of the policy. Another option is to take a reduced death benefit with a partial cash payout and never pay another premium. This is the equivalent of owning a "paid-up policy" for a reduced death benefit which will still be paid to your beneficiary upon the death of the insured.

Older retirees can sometimes find themselves in need of a lump sum of cash later in life due to health circumstances (i.e., long-term care expenses), divorce, or even debt. These are some of the primary reasons why seniors opt to sell their policy and use the money for these needs. It's your cash and can be used for any purpose. Other examples include investing the cash to

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generate monthly income, paying for college expenses of grandchildren, or perhaps funding a long-desired family vacation.

One other point to make about selling a life insurance policy in this manner is that this type of sale is not a “viatical settlement.” You may have heard this phrase before but not fully understood its meaning. A viatical settlement is where a person with a terminal illness sells their life insurance policy for less than its mature value to benefit from the proceeds (cash) while the insured is still alive.

You do not need to be terminally ill to sell your life insurance policy in the open market. However, it is true that if you have impaired health or you are in your mid to late 80's or 90's, your policy can be worth more due to these factors. However, it is not necessary to be ill to take advantage of selling one or more of your life insurance policies.

Do yourself a huge favor, get a quote from a qualified insurance agent, and know your options and the value of your policy before you surrender it to the life insurance company.

Lawrence Castillo is a member of *Syndicated Columnists*, a national organization committed to a fully transparent approach to money management.

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