



**IRA CLUB**  
312-7950988  
888-795-7950

**MAILING ADDRESS**  
**P.O. Box A3535**  
**CHICAGO, IL 60690**

---

## **What are Life Settlements? Do They Have a Place in my IRA?**

During their lifetime, most people buy some Life Insurance. Maybe they have a young family and want to be sure everyone is financially taken care of in case they are not there to provide for them. Maybe it was to take care of another concern such as a large debt. All the reasons for buying life insurance are valid at the “time it is purchased”.

However, things change: The young family grows up. Other risks diminish. Our assets have grown to the point that they are ample to support those we leave behind. All these things are good; if we have planned right (and been a little lucky) each year our financial situation becomes more stable.

Suddenly, the policy owner wakes up one morning and asks:  
“Why am I still paying on that no longer needed life insurance policy?”

At this point, one of three things usually takes place:

- The owner of the policy simply stops paying their premium.  
Insurance companies love when this happens.  
The insurance company collected premiums for 10, 20 or even 30 years. And now, the owner has allowed the policy to lapse and they (the insurance company) will never be obligated to pay a death benefit.  
Score this as a home run for the insurance company.
- The owner of the policy “cashes in” the policy taking a “cash value settlement”.  
Insurance companies like when this happens.  
The insured has selected an option that will pay him or her a fraction of the death benefit.  
This saves the Insurance Company \$10s or more likely \$100s of thousands of payments for a death benefit.
- The owner of the policy “sells the policy” to an investor who will pay more than the cash value of the policy. In other words; the investor is buying the future “Life Settlement” of that policy.

**In the “sell the policy” to an investor scenario, the Investor:**

- A. Pays the existing owner (commonly the insured) an amount greater than the Cash Value. Hence, the original policy owner gets a greater amount of money for the policy than he would if he/she had accepted a Cash Value Settlement.
- B. Pays all future premium payments as they become due. So, the original owner has no further obligation.

The benefit to the new owner is that they will make themselves (or their business) the beneficiary of the policy thus, will receive the death benefit. (This is where the name come from. The investor is investing in the future Death Benefit also called the “Life Settlement”.)

### **Why does this work for the owner of the Life Insurance Policy?**

In most cases the Life Settlement buyer will pay more for the policy than the cash value amount offered by the insurance company.

### **Why does this work for the Investor?**

Because even after paying the policy owner to buy the policy and taking the risk of paying premiums for the rest of the policy holders life: Receiving the Life Settlement can offer a respectable profit.

#### **IRA Club Note:**

Investing in Life Settlements is not new.

Life Settlement investing has been around for almost 100 years. The reason most people have not heard of it is because in the past Life Settlement investors tended to be wealthy individuals who take a very long-term view of their investment portfolio and are concerned with the “reliability” of the investment.

Investing in Life Settlements answers the “reliability” question better than almost any other investment. Why is the payout reliable?

1. The Insured will expire.
2. The Insurance Company guarantees payment of the Life Settlement.

Note: Blackstone Investment Group and Warren Buffett are two the largest holders of Life Settlements.

### **Can a Self Directed IRA invest in Life Settlements?**

YES, your Self Directed IRA can invest in Life Settlements.

### **What are the advantages of investing in Life Settlements in my IRA?**

The settlement value (the death benefit) is guaranteed by the life insurance company. Life insurance companies are well-financed and closely regulated by the State so the payout is very secure.

In addition, the investment results are not correlated to the stock market, real estate market, or the general economy

Depending on how long or how short a time the insured survives the returns can be generous. (Of course, the longer the insured survives the less the return).

### **What are the disadvantages of owning Life Settlements in my IRA?**

Life Settlement investing generally does not pay a dividend. All the earnings come at once; after the death of the insured. (In a way, this is similar to holding undeveloped land in your IRA waiting for a buyer to come along.)

The holding period can be long. This will be dependent on the longevity of the insured and the holding period is out of your control.

### **Who should consider an IRA investment in Life Settlements?**

Life settlements are rarely a first investment in an IRA. First investments are generally those things that return income or cash flow such as rental property and promissory notes.

However, once those investments have been made and the IRA owner is considering longer-term potential growth; Life Settlement investing provides an interesting option.

### **Can my IRA invest in Life Settlements on its own?**

Technically, the answer is yes. However, as a practical matter finding the policy seller, qualifying the policy seller, and dealing with the legalities of buying a life insurance policy is best left to professionals in that field.

Hence, you will use a Life Settlement professional to help create a package for you.

**For additional information on investing in Life Settlements in your IRA please contact the IRA Club 888-795-0988.**

We hope this information is helpful.

Please note: All investments have risk