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Retirement Millionaire

A Paper Worth \$250,000
for Your Retirement



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For Americans in critical need of money for retirement, I've found a financial "loophole" that could be the perfect solution of last resort.

This has *nothing* to do with investing or spending a single penny of your own money, yet it can possibly help you collect hundreds of thousands of dollars in just a matter of weeks.

The crazy thing is, very few Americans realize this loophole is available. In fact, I've met some people who have literally thrown this money away!

For example, consider the case of Nate Gibson, who threw away \$250,000 in 2004.

I'm not talking "throw away" like an ex-girlfriend saying you're "throwing away something special." And I'm not talking "throw away" like a virtuoso pianist "throwing her career away" to go save poor children in Africa.

Nope, Nate literally threw away \$250,000... He waded up a quarter-million bucks and chucked it in the trash.

You see, Nate was utterly clueless the "security" he threw out was worth a substantial amount of money to a small group of powerful investors. And you need to know his story because you might be tempted to do the same thing very soon. You too could have a stash of wealth in your sock drawer and not even know it.

The story began almost 100 years ago (1911) when the U.S. Supreme Court decided these documents were worth something. Justice Oliver Wendell Holmes wrote this type of security "has become in our days one of the best recognized forms of investment and self compelled saving." Today, few people know about the secret market for these assets – *although millions of everyday folks own them*.

The security I'm talking about is life insurance. The standard policy you probably have right now can generate substantial income for you *while you're still alive*.

The Supreme Court's 1911 ruling essentially deemed life insurance a security. So policies can be traded, just like a stock or a bond. In fact, a "secondary" market for selling these securities has blossomed. Nearly \$12 billion worth of this stuff was sold in 2008, this up from \$240 million in 2002.

In this report, I'll show you how to tap into that secret market.

Some estimates show Americans hold at least \$100 billion worth of life insurance policies.

My good friend Nate was one of them. But sadly, he told me about how he and his wife took two of these and just simply “threw them away” five years ago. The more I looked into their story, the more I realized the mistake he made... He walked away from a great way to get free money.

How the Life Settlements Market Could Bring You Millions

The market I’m talking about is the “life settlements” market. A life settlement is simply the sale of a life insurance policy. The seller (the original policy holder) gets cash upfront. The buyer gets the payoff from the policy when the covered person dies.

In my friend Nate’s case, he had two life insurance policies that were about to expire. Instead of continuing the coverage, he let them lapse – and that’s where he made his big mistake.

You see, although those policies seemed worthless to him, people in the life settlements business would have paid him big money for them. He and his wife had kept these policies in his dresser drawer. When I looked at old copies them, I cringed. I estimate he literally threw away about \$250,000.

That’s when I realized we were onto something special for the *Retirement Millionaire* reader. I started researching it further and quickly discovered this market could bring millions to the right people.

Here’s the story...

The ideal candidate for a life settlement is age 65 or older and has less than 15-20 years of life expectancy. (To check out your life expectancy, go to www.annuityadvantage.com/lifeexpectancy.htm.) The average 70-year-old man, for example, has an expectancy of 13.27 more years. A 70-year-old woman, 15.72.

For the purpose of selling your policy, it’s actually worth more to you the worse your health. The life insurance policy has value depending on several other factors, too.

- Joint survivorships are the most valuable, followed by term policies. Variables are the third-most valuable, and whole-life holds the least value.
- The lower the “cash surrender” value the better. (Some policies “bank” a portion of the premiums you pay, so if you cancel the policy you get back some of the value you have built up over the years... This is the policy’s “cash surrender” value.)
- Loans against the policy reduce the value of the policy.
- Lower premiums are worth more than higher ones.

[Note: If you’re unfamiliar with insurance terms – like the difference between “term” and “whole-life” policies, check out www.insure.com/articles/interactivetools/glossary/glossary.jsp. It will help you. Just type the term into the white search bar and hit “go.”]

The amount you receive from selling your policy is a percent of the death benefit amount. It varies depending on personal circumstances, but you can receive anywhere from 20% to 65% of the death bene-

fit. This means if you have a million-dollar term policy, you could get as much as \$650,000 by selling it.

Some people with less than two years to live, say with a known terminal illness, can get even more... But I don't recommend doing this unless your circumstances are very unusual. These policies are known as "viaticals," which comes from the Latin "preparations for a journey."

Emotions run high once someone receives a medical death sentence and the person's estate or family is set to receive the full amount relatively soon. In these cases, cash needs could easily be met with a loan against the policy as opposed to cashing out early with a life settlement. Why settle for less than you're about to get relatively soon?

I recently spoke with two advisors who work with families and individuals to help them determine whether a life settlement makes sense. The stories they shared about recent sellers brought tears to my eyes.

One guy, R.L., was 68 years old with a \$1 million, 10-year term policy that was rolling over into its 11th year with a renewal offer. The offer increased his annual premium to \$30,000 a year from the \$8,000 a year he paid previously.

He couldn't afford the new amount and didn't think insurance was that important to him anymore. Around this same time, his doctor told him he had Stage IIIB lung cancer and three years to live.

He was still relatively active and felt pretty good, so he and his wife decided to spend the money now while they could enjoy things together. They converted the policy to permanent coverage – something most term policies allow you to do - and then sold it. They got \$640,000 and tucked a large chunk of that away for her, but spent the next year traveling the world together arm in arm.

Another person, S.G., was 80 when her Alzheimer's worsened so she needed full-time, in-home care. Her husband decided to cash in the \$1.5 million, whole-life policy with a cash-surrender value of only \$72,000. He sold it for \$535,000 and now uses it to pay her \$4,000-a-month nursing bill.

When he initiated his life settlement, he told his financial advisor he needed the money now "for health care expenses and if she dies in the next few years I'll still have a large amount of money left over. My kids are doing OK, and they'll eventually get my insurance money, but I need financial help right now."

One question you should ask yourself is: Why should I execute a life settlement? There are many reasons:

- Your premiums have gotten too expensive to keep paying.
- You're divorced or your spouse has died, so the intended beneficiary has changed.
- You need to pay for expensive health care.
- You want to eliminate premiums and purchase a smaller policy.
- You want financial security today.
- You want to salvage a lapsing policy (like Nate should have done).

By the way, be sure to get full disclosure of how much your insurance broker is making.

Right now, the life settlement industry is completely unregulated... It's like the "Wild West" of the financial world.

Here's what I mean...

Some states – like Arizona, California, Florida, New York, Virginia, and Illinois – require complete and full disclosure. Some states don't require any disclosure, whatsoever!

The brokers I met said they take the greatest of 6% of face value or 30% of the amount over the cash-surrender value, but I suspect they might negotiate these prices.

To me, this is a bizarre compensation structure, for obvious reasons. If your policy has a face value of \$1 million, that means your agent or broker gets \$60,000... no matter how much money they get for you.

To me that makes no sense. I want a broker who has an incentive to get me the most money. The more he gets me, the more he gets paid.

Think about it compared to the sale of real estate (where the rates are also usually around 6%). Your real estate agent wants to help you get the most money because that's how he gets paid the most money.

What if your real estate agent said his rate was 6% of the *list price*... no matter what the home eventually sells for. You'd never go for that, right? He'd have no incentive to get you the best price.

Well, unfortunately, that's how it works right now in the life settlement world.

Also, I think 6% of the face value is high. (After all, those rates mean they got \$60,000 for helping R.L. and \$93,600 for S.G. That's a lot of money for a few days of work.)

Yes, the broker incurs \$1,000 or so of costs for each policy he sells... and he often has to split the fee with an agent. Still, these transactions are relatively straightforward. It's not like selling a house, which can take six months and dozens of showings, plus listing fees... photos... etc.

My point is, just remember it's the Wild West of the insurance world.

You need to shop around for the best deal... and I strongly encourage you to negotiate for better rates than the "industry standard."

I think if I were to ever do one of these, I'd negotiate a rate of 3%-4% of face value with a maximum fee of \$20,000-\$25,000 for any amount greater than \$500,000. The paperwork is the same, and the broker doesn't take any risk in setting these up. So why should they get so much of your money? (Don't tell them I said so, please!)

You might wonder who makes the markets in these securities.

Large financial companies (with insurance experience) like Berkshire Hathaway, General Electric, and many large insurers pool these policies together and resell them to other big investors looking for a reliable rate of return. Many of these pools of securities provide 10%-12% internal rates of returns to their investors, and of course, all of the policies eventually pay off.

One other thing you should know, and it's a little creepy...

Once you complete a life settlement, the company will assign you a "tracking agent," who literally

keeps tabs on you until you die.

For obvious reasons, the company wants to know when it can collect on your policy – heck you’ve sold the policy and already have your money so you don’t care anymore. But they do, and that means a periodic phone call or an e-mail to make sure you’re still kicking. Don’t worry, they’re highly regulated and can’t harass you.

So before you let an old life insurance policy lapse, consider a life settlement. Or if your cash-surrender value is low and you want more money, talk with your insurance or financial adviser.

If you truly need (or want) the money and your kids raise hell, tell ‘em where to stuff it. *You gave them life, love, and a roof over their heads.* As far as I’m concerned, that’s all you owe them. This is your money. So it’s your decision, and you deserve to be happy.

Once you decide you’re interested in doing a life settlement, you need to do two things.

First, I recommend calling two guys I trust to set up a life settlement, John Yaker or Chuck Lewis. I don’t have any financial connection to either of these guys. However, after talking with them, I believe both are honest and interested in doing what’s right. Their reputations rest on it, and the law requires them to protect your fiduciary interests.

If you talk to either of them, please let me know how the experience was. Feel free to tell them we sent you.

John Yaker in Baltimore: 410-327-9550

Chuck Lewis in New York: 212-843-8989

Second, once you’re convinced you want to actually do a settlement and BEFORE you sign anything, give Glenn Daily a call. Glenn is a smart, soft-spoken guy who lives in New York City and is an expert on the finances of life insurance.

One of Daily’s specialties is life settlements. He will analyze your current policies and advise you on their values and your best settlement options.

His analysis includes an estimate of your policy’s market value, an estimate of the value of your policy to your heirs if you keep it, and a comparison of the death benefit with the projected value of other investments.

But here’s the catch: He’s a fee-only insurance adviser. Daily normally charges \$1,895 to do a thorough analysis. I know that sounds expensive, but understand he doesn’t make money from anyone but you. Daily doesn’t sell insurance or get any commission for his referrals. He only gets paid to tell you what he objectively thinks is the best insurance deal. So there’s no conflict of interest between you, him, the insurance brokers, and the insurance businesses. I spoke with Glenn, and he’s promised *Retirement Millionaire* subscribers a couple things:

- 1) Before charging you a dime, he’ll listen to your story. If he thinks you shouldn’t do it he’ll tell you and he’ll tell you why. Quite honestly, he’ll encourage other options for you if he smells anything funny in what you’ve been told.

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- 2) He will give us a \$300 discount from his normal fee. He said he will charge us only \$1,595 for a full analysis and for determining the value of your policy. He'll give you a figure at the end that, as he puts it, "is fair." (This fee savings alone is worth many years of subscriptions.)
 - 3) He will encourage you to pay less commission and keep more for your self. Like me, he thinks the commission for these transactions should only be 5%-10% of the purchase price. He won't help you negotiate this amount, but he'll give you the ammunition to go back to your insurance brokers and get the money you're owed.

Again, I know Daily's fees seems steep, but remember, selling your insurance can be worth hundreds of thousands of dollars. On a million-dollar policy, paying Daily for his help could save you tens of thousands of dollars. Spending a small percentage of that to ensure you get the best deal only makes sense.

Also, his website gives you some excellent information about how settlements work, the typical fee structure, etc. To visit his site, go to www.whatsmypolicyworth.com, or click [here](#).

Be Careful What You Throw Away

If there's a chance you have a life policy somewhere, go and look for it now. Don't be like Nate and throw a quarter of a million dollars in your trashcan.

Once you have the policy in hand, realize the old rules of passing the money on to your heirs are no longer valid. You have numerous ways to tap your wealth while you're alive. Life settlements may be just that thing.

As you explore the idea of using your life insurance as a source of wealth, make sure you understand the tax and estate issues involved. The experts I mention (John, Chuck, and Glenn) can help you explore the implications for your finances. Also, be sure to take control of this process yourself. It's your life and your money. Don't let anyone cheat you out of what you want.

Finally, if you decide to do a life settlement, negotiate hard for the final settlement number. There's gravy all around to be slopped on everyone's plate, make sure you're the first in line.



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