

# AICPA CPA Insider™

News and Product Updates from [www.CPA2Biz.com](http://www.CPA2Biz.com)

## ADVERTISEMENT

September 12, 2005

## CPAs Engaging in Life Settlement Transactions Are On the Rise

*Marketplace is being driven by seniors who received more than \$660 million beyond cash surrender value in 2004.*

By Marlene Frith

Two years ago, Advanced Settlements began publishing the first of a series of articles for the *CPA Insider* on the topic of life settlements. The first [article](#), entitled: “The Secondary Market for Life Insurance Policies Gains Momentum,” introduced this new wealth management tool to our *CPA Insider* readers and discussed its impact on those in the profession.

Since that time, the life settlement industry has grown in 2003 from a \$2 billion industry into a marketplace estimated at \$6 billion in 2004. Some industry insiders have predicted that the industry will reach more than \$10 billion in 2005. Furthermore, Wall Street analysts are now researching and writing about the marketplace, and rating agency A.M. Best announced recently that it had fine-tuned its life settlement securitization rating methodologies as the investment banking side of the industry takes root.

Industry researchers cite several factors that are spurring the rapid growth in life settlements, including: (1) longer life expectancies which may cause seniors to outlive the usefulness of their life insurance policies; (2) the decline in interest rates over the past few years that could result in lower cash values within existing policies; and (3) the reduction in estate tax burden.

But at the end of the day, perhaps one of the most powerful drivers in this new industry are senior consumers themselves who, according to the Viatical & Life Settlement Association of America, received more than \$660 million beyond cash surrender value in 2004. There is no doubt that this is a substantial amount of money going into our economy in the form of replacement coverage, new financial investments, real estate transactions, and other uses.

As I think back to 2003 when we first began publishing our [series](#) of approximately 15 life settlement articles, I am reminded of a quote by President Rutherford B. Hayes, who in 1876 said: “That’s an amazing invention, but who would ever want to use one of them?” Hayes was commenting on Alexander Graham Bell’s demonstration of the telephone at the White House.

During the course of our early outreach campaigns to educate financial professionals of the value that a life settlement can provide for CPAs serving high net worth senior clients, I recall hearing comments such as: “Why would a CPA want to assist a senior client sell their life insurance policy?” Another financial professional commented to us that if a senior should find him or herself in a position of seeking to sell an unwanted life insurance policy, that it is indicative of poor financial planning in the first place. Comments like these tell me there is more work to be done in educating financial professionals regarding this powerful wealth management tool.

Just as with those who were initially skeptical of the utility of the telephone, we are beginning to see a shift in attitude as more CPAs witness the powerful, problem-solving capacity of a life settlement. Several months ago I was contacted by a CPA with a wealthy senior client who had heard of life settlements from other seniors at dinner parties and social gatherings. The CPA explained that the client had asked for his assistance with a life settlement transaction involving a \$1 million policy. He explained that he was prompted to call us after reading our press release about the [\\$55 million benefit](#) to senior consumers and that he had also read some of our *CPA Insider* articles. During the course of our chat, the CPA observed that life settlement activity would likely increase among CPAs as more seniors hear about the product’s benefit and seek the assistance of their trusted financial professional.

Within the past six months, feature articles written by leading CPAs and estate planning professionals have appeared in such prestigious publications as the AICPA [Journal of Accountancy](#), and in *Trusts & Estates Magazine*. Now that the secondary market for life insurance is maturing into a mainstream product and becoming more popular with CPAs, estate planning attorneys and financial planners, we are pleased to see members of these professions publishing their own articles and case summaries about the “win-win” benefit of a life settlement.

We look forward to continuing our coverage of the life settlement industry in articles published with the *CPA Insider*, and it is my hope that our readers will share their success stories and case summaries by [sending me an email](#). Clearly we are witnessing a movement in the financial services marketplace that is growing stronger everyday as more seniors become financially empowered through the product. Sharing case summaries is an effective way to illustrate the product’s value proposition and trigger ideas in the minds of our colleagues who seek to learn more about its [wealth management applications](#).

As a wise senior citizen once said, “I have learned that most people resist change, and yet it's the only thing that brings progress.”

---

#### **About Advanced Settlements, Inc.**

Marlene Frith (email:[marlene@advancedsettlements.com](mailto:marlene@advancedsettlements.com)) is marketing director for Advanced Settlements, Inc., one of the largest life settlement brokers in the country. Located in Orlando, Florida, Advanced Settlements is one of the largest life settlement companies in the nation. Through a network of more than 15 funding institutions, the company obtains multiple offers on the secondary market in pursuit of the highest possible settlement for the policyholder. The company is committed to educating the financial marketplace about the pro-consumer value of life settlements and to participating in the development of prudent regulatory activity through its representation on the board of the Viatical and Life Settlement Association of America. The company may be reached at 1-800-561-4148, or at [www.advancedsettlements.com](http://www.advancedsettlements.com).