WHATSMYPOLICYWORTH?.COM℠

what you need to know before you sell your life insurance policy

What's My Policy Worth?

Prepared for: Client

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Table of contents

Your information and our assumptions

We have relied on this information to prepare this report.

Policy

Life insurance company	
Policy number	
Policy date	*November 5, 1990*
Policyowner	*Trust*
Policy beneficiary	*Trust*
Product trade name	
Type of policy:	
Number of insureds	*Single life*
Chassis	*Universal life*
Face amount	*$800,000*
Death benefit option	*Option A (level)*

Insureds

Insured #1:	
Name	
Date of birth	*August 19, 1922*
Issue age	*68*
Underwriting class	*Nonsmoker*
M/F; NS/S	*Male nonsmoker*
Insured #2:	
Name	
Date of birth	
Issue age	
Underwriting class	
M/F; NS/S	

Policy details

Discount rate for net amount at risk	*4.00%*
Definition of lapse	*Surrender value equals zero*
Surrender charge pattern	*Surrender charge declines linearly within year*
Age at maturity	*95*
Death benefit at maturity	*Death benefit is cash value*

Cost basis of policy:

Amount	*$339,790*
Source	*Provided by client*

Assumptions

Policyowner's tax rate:

Ordinary income	*35%*
Capital gains	*15%*

Current policy values

Date	May 26, 2006
Account value	$39,163
Surrender value	$39,163
Death benefit	$800,000

Estimated values at valuation date

Date	May 26, 2006
Account value	$39,163
Surrender value	$39,163
Death benefit	$800,000

Illustrated values

This table summarizes the policy values that we copied from the illustration that you provided.

Calendar year	Policy year	Annual premium	Year-end account value	Year-end surrender value	Year-end death benefit
2005-2006	16	$68,215	$19,902	$19,902	$800,000
2006-2007	17	68,215	37,844	37,844	800,000
2007-2008	18	68,215	53,562	53,562	800,000
2008-2009	19	68,215	66,732	66,732	800,000
2009-2010	20	68,215	76,924	76,924	800,000
2010-2011	21	68,215	83,602	83,602	800,000
2011-2012	22	68,215	86,101	86,101	800,000
2012-2013	23	68,215	83,643	83,643	800,000
2013-2014	24	68,215	75,238	75,238	800,000
2014-2015	25	68,215	59,643	59,643	800,000
2015-2016	26	68,215	35,264	35,264	800,000
2016-2017	27	68,215	0	0	800,000
2017-2018	28	0	0	0	0
2018-2019	29				
2019-2020	30				
2020-2021	31				
2021-2022	32				
2022-2023	33				
2023-2024	34				
2024-2025	35				
2025-2026	36				
2026-2027	37				
2027-2028	38				
2028-2029	39				
2029-2030	40				

Load structure

This table summarizes the load structure of your policy. If we could not determine a particular load from the information that you provided, we made our best guess. We estimated the cost-of-insurance rates after determining all of the other loads.

"Premium load" is a charge deducted from premiums. "Per-$1,000 charge" is a charge that is based on the face amount of the policy. "Account charge" is a monthly administrative charge. "COI rate" is the cost-of-insurance rate, per thousand dollars of net amount at risk. "Interest rate" includes bonuses.

Policy year	Premium load	Annual per-$1,000 charge	Account charge	COI rate	Interest rate
16	5.00%	$0.0000	$4.50	59.99	4.00%
17	5.00%	0.0000	4.50	64.96	4.00%
18	5.00%	0.0000	4.50	70.22	4.00%
19	5.00%	0.0000	4.50	75.76	4.00%
20	5.00%	0.0000	4.50	81.62	4.00%
21	5.00%	0.0000	4.50	87.81	4.00%
22	5.00%	0.0000	4.50	94.31	4.00%
23	5.00%	0.0000	4.50	101.01	4.00%
24	5.00%	0.0000	4.50	107.90	4.00%
25	5.00%	0.0000	4.50	114.89	4.00%
26	5.00%	0.0000	4.50	121.93	4.00%
27	5.00%	0.0000	4.50	129.01	4.00%
28					
29					
30					
31					
32					
33					
34					
35					
36					
37					
38					
39					
40					

What is a fair purchase price for your policy?

In this section, we provide an estimate of the gross purchase price of your policy, before deducting the broker's commission. It is your responsibility to negotiate a commission that provides reasonable compensation to the broker for the work done. You may want to use the estimated prices in this section to design a commission agreement. See Appendix D for guidance.

The net purchase price that you receive will be the gross purchase price minus the broker's commission that you negotiate. You may also have to pay income tax on the difference between the net purchase price and your cost basis in the policy.

Assumptions about buyer's behavior

To estimate the gross purchase price, we have to make assumptions about the choices that the buyer will make with regard to the death benefit option, an immediate withdrawal and premium payments. See Appendix B for details.

Here are our assumptions:

Death benefit option change	*No*
Immediate withdrawal	*$0*
Premium mode	*Monthly*
Premium pattern	*Minimum premium*

Gross purchase price

We do a separate calculation of gross purchase price for each source of estimated life expectancy, using four discount rates that represent the buyer's desired rate of return. The life expectancy sources are described on the next page, and the calculations are explained in Appendix A.

We round all prices to the nearest thousand dollars.

Here are the results for your policy:

Gross purchase price at 05/26/2006

(before deducting broker's commission and income tax)

	Buyer's rate of return			
Life expectancy source	8.00%	10.00%	12.00%	14.00%
Internally generated:				
2001 VBT: Scenario 1	$280,000	$254,000	$232,000	$212,000
2001 VBT: Scenario 4	282,000	260,000	241,000	224,000
Evaluation firms:				
Appraisal #1	$255,000	$235,000	$218,000	$203,000
Appraisal #2	283,000	258,000	235,000	216,000
Appraisal #3	342,000	313,000	287,000	264,000

Life expectancy sources

Here's a description of each of the life expectancy sources that we used.

"Internally generated" means a mortality curve that we constructed by applying a set of parameters to a base table. "Evaluation firms" means companies that provide life expectancy evaluation reports. "Their table" means that we used a mortality table provided by an evaluation firm, rather than using their life expectancy estimate to calibrate a mortality curve based on our parameters. We have adjusted the evaluation firms' reports for timing differences between each firm's report date and the valuation date. See Appendix B for more information about life settlement mortality tables.

		Insured #1
2001 VBT: Scenario 1		
Life expectancy (months):	Mean	66
	75 percentile	92
	90 percentile	117
Base table		2001 VBT
Select period		25 years
Multiplier:	Initial	236%
	Final	236%
	At age	120
Annual improvement		0.50%
Flat extra		No

		Insured #1
2001 VBT: Scenario 4		
Life expectancy (months):	Mean	66
	75 percentile	92
	90 percentile	128
Base table		2001 VBT
Select period		2 years
Multiplier:	Initial	145%
	Final	145%
	At age	120
Annual improvement		0.50%
Flat extra		No

		Insured #1
Appraisal #1		
Life expectancy (months):	Mean	69
	75 percentile	99
	90 percentile	133
Base table		Their table
Select period		
Multiplier:	Initial	
	Final	
	At age	
Annual improvement		
Flat extra		

		Insured #1
Appraisal #2		
Life expectancy (months):	Mean	66
	75 percentile	92
	90 percentile	117
Base table		2001 VBT
Select period		25 years
Multiplier:	Initial	230%
	Final	230%
	At age	120
Annual improvement		0.50%
Flat extra		No

		Insured #1
Appraisal #3		
Life expectancy (months):	Mean	58
	75 percentile	80
	90 percentile	99
Base table		Their table
Select period		
Multiplier:	Initial	
	Final	
	At age	
Annual improvement		
Flat extra		

What is the policy worth to your family?

Your policy may be worth more to your family than to a third-party buyer. This can be true for several reasons:

- Your family may be willing to accept a lower rate of return from the policy than a buyer demands. The buyer views the policy merely as an investment and expects to achieve a high rate of return to compensate for longevity risk. For your family, "longevity risk" means that the insured enjoys a long life.

  Buyers also demand a high rate of return because life settlements are a relatively new type of investment, with unfamiliar characteristics.

- Life settlement transaction costs (broker's commission, underwriting and administrative costs) are very high. This reduces the net purchase price.

- Retaining the policy is more tax-efficient than selling it. The beneficiary can receive the death benefit income-tax-free, whereas a policy sale may create a taxable gain for the policyowner and a taxable death benefit for the buyer.

- Your policy may satisfy estate planning goals, such as liquidity to pay estate taxes, that go beyond its value as an investment.

- You may wonder if selling your policy will limit your ability to buy new life insurance in the future, because the sold policy will count toward your total insurable limit.

- Your family may place a higher value on the policy because of the risk of regret if the insured dies soon after the policy is sold, creating a windfall for the buyer.

- You may disagree with the estimated life expectancy provided by an evaluation firm.

- You may want to postpone selling the policy to keep your options open. While you're waiting, you may be able to reduce your out-of-pocket outlays by using the cash value to pay policy charges or by taking a loan.

Assumptions about policyowner behavior

To estimate retention value, we have to make assumptions about the choices that you will make with regard to the death benefit option, an immediate withdrawal and premium payments. See Appendix B for details. Here are our assumptions:

Death benefit option change	*No*
Immediate withdrawal	*$0*
Premium mode	*Monthly*
Premium pattern	*Minimum premium*

Retention value

We do a separate calculation of retention value for each source of estimated life expectancy, using four discount rates. See Appendix A for details. We round all values to the nearest thousand dollars. Here are the results for your policy:

Retention value at 05/26/2006

	Policyowner's discount rate			
Life expectancy source	4.00%	6.00%	8.00%	10.00%
Internally generated:				
2001 VBT: Scenario 1	$337,000	$300,000	$267,000	$238,000
2001 VBT: Scenario 4	323,000	292,000	265,000	241,000
Evaluation firms:				
Appraisal #1	$296,000	$266,000	$241,000	$218,000
Appraisal #2	340,000	302,000	270,000	241,000
Appraisal #3	405,000	363,000	327,000	295,000

Comparing values

You can compare retention values with the after-tax cash surrender value that you would receive if you dropped the policy:

Before-tax cash value	$39,163
less: Income tax	$0
After-tax cash value	**$39,163**

(*Note:* If the cost basis of your policy exceeds the cash surrender value, you have a loss, but losses on life insurance policies are generally not tax-deductible. You can use the cost basis to shelter future investment earnings from income tax by doing a tax-free exchange to an annuity. We ignore the economic value of this tax benefit.)

If the retention value is greater than the after-tax cash value, it means that holding the policy until death provides a higher return on average than cashing out the policy and investing the after-tax cash value at the rate of return (the discount rate) that was used to compute retention value. Of course, if you can sell the policy for more than the cash value, you should compare retention value with the after-tax net purchase price (the gross price minus the broker's commission and income taxes). It is the net purchase price, not just the cash value, that you forgo by keeping the policy instead of selling it.

If you keep the policy and continue to pay premiums, your beneficiary will receive the death benefit, income-tax-free. If you sell the policy now and invest the after-tax net purchase price and the same premiums that you would have paid if you had kept the policy, your beneficiary will receive the investment account. Will your beneficiary be better off with the policy's death benefit or the investment account?

For this purpose, we choose low and high after-tax growth rates for an alternative investment, and we choose low and high gross purchase prices. The low after-tax growth rate is 4.00%; the high after-tax growth rate is 7.00%. The low and high purchase prices are:

	Low price	High price
Before-tax gross purchase price	$218,000	$258,000
After-tax net purchase price	$200,560	$237,360

Scenario descriptions (buyer's rate of return; life expectancy source; adjustment):
Low price scenario: 12.00%; Appraisal #1; $0 adjustment
High price scenario: 10.00%; Appraisal #2; $0 adjustment

The after-tax net purchase price of the policy is computed from this information:

	Low price	High price
Broker's commission:		
% of gross purchase price	8.00%	8.00%
Amount	$17,440	$20,640
Policy's cash surrender value	$39,163	$39,163
Policy's cost basis	$339,790	$339,790
Policyowner's tax rate:		
Ordinary income	35.00%	35.00%
Capital gains	15.00%	15.00%
Taxable gain from sale of policy:	$0	$0
Amount taxed as ordinary income	$0	$0
Amount taxed as capital gains	$0	$0
Calculation of after-tax net purchase price		
Before-tax gross purchase price	$218,000	$258,000
less: Broker's commission	-17,440	-20,640
Before-tax net purchase price	$200,560	$237,360
less: Income tax	0	0
After-tax net purchase price	**$200,560**	**$237,360**

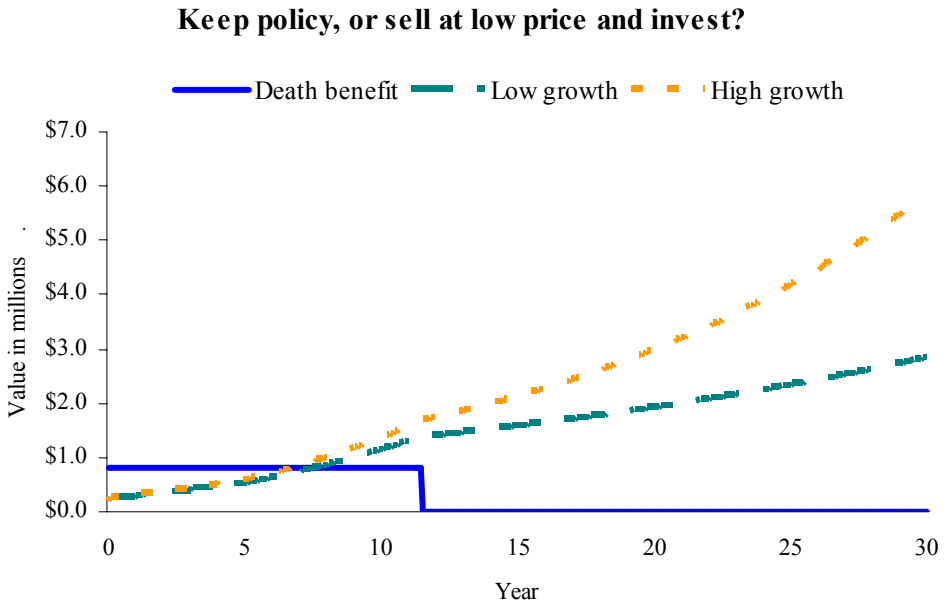
For each purchase price, we answer these questions:

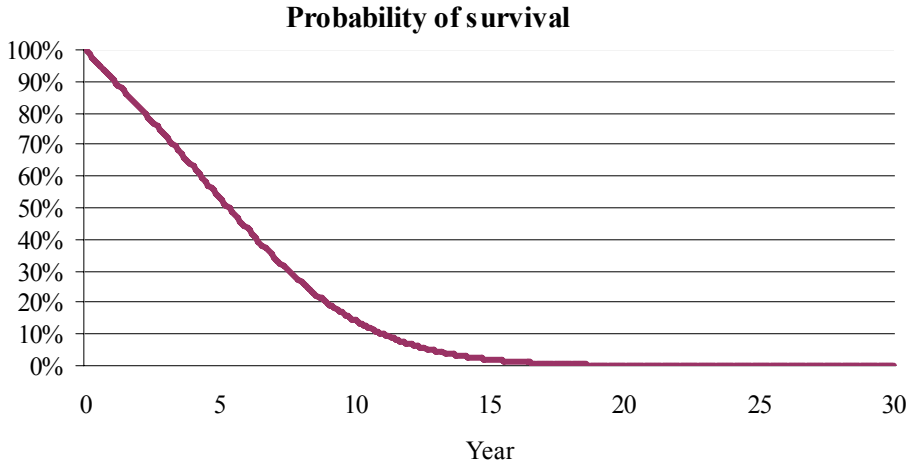
- How does the investment account balance compare with the policy's death benefit over time?
- How many years does it take for the investment account to exceed the policy's death benefit?
- What is the probability that the insured will live until that crossover year?
- What is the after-tax rate of return that you would have to earn on the investment account to match the policy's death benefit?

If you receive the low gross purchase price

The first graph compares the policy's projected death benefit and the projected value of the investment account assuming 4.00% and 7.00% after-tax growth rates. To create a valid comparison, the projected value of the investment account includes the after-tax net purchase price, any initial withdrawal from the policy and any premiums.

The second graph shows the probability of survival, using Appraisal #1 as the life expectancy source.





This table shows the crossover year and the probability of living until then:

Keep policy, or sell at low price and invest?

	Growth rate	
	4.00%	7.00%
Years until crossover	7.6	6.8
Probability of survival until crossover	30%	37%

This table shows the after-tax rates of return that you would have to earn on the investment account to match the policy's death benefit over 5, 10, 15, 20 and 25 years, as well as the probability of survival over each period:

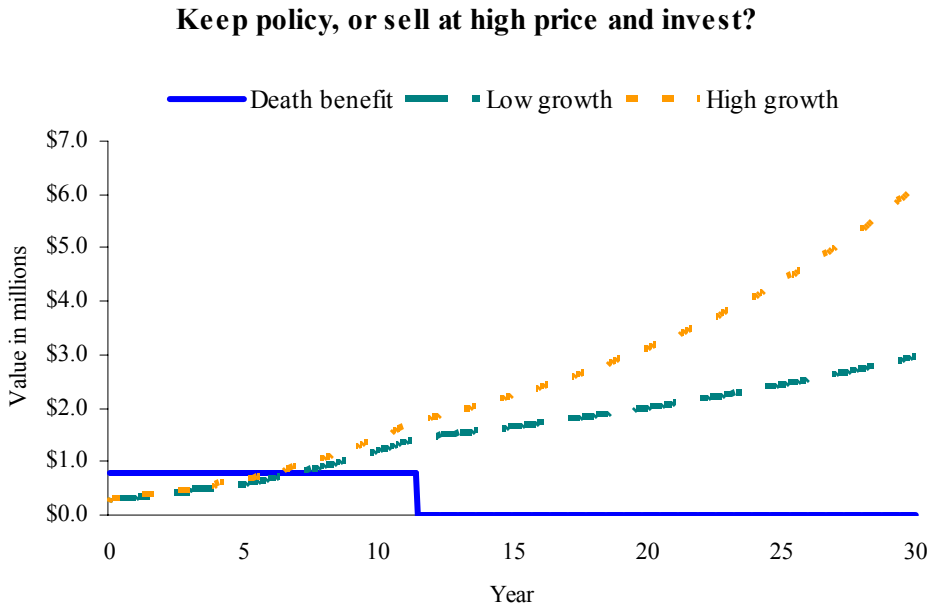
Low price: Required rate of return to match policy's death benefit

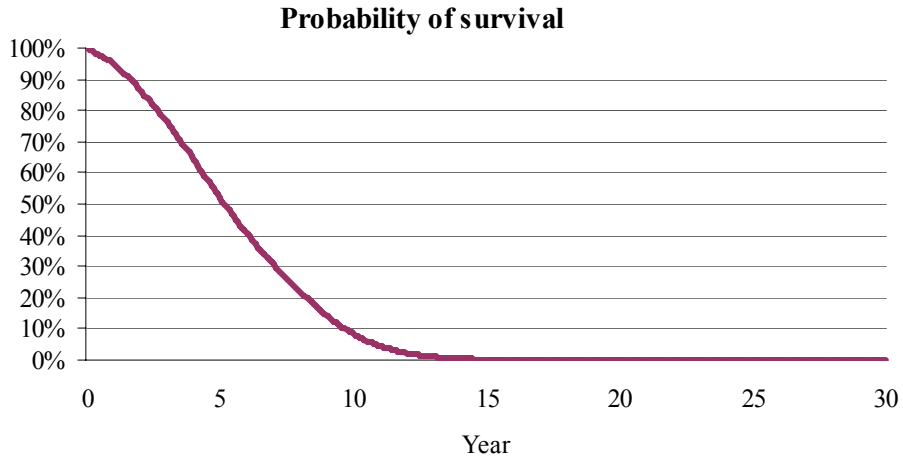
	Years from valuation date				
	5	10	15	20	25
Required rate of return	15.5%	-2.3%	-99.2%	-99.2%	-99.2%
Probability of survival	53%	14%	2%	0%	0%

If you receive the high gross purchase price

The first graph compares the policy's projected death benefit and the projected value of the investment account assuming 4.00% and 7.00% after-tax growth rates. To create a valid comparison, the projected value of the investment account includes the after-tax net purchase price, any initial withdrawal from the policy and any premiums.

The second graph shows the probability of survival, using Appraisal #2 as the life expectancy source.





This table shows the crossover year and the probability of living until then:

Keep policy, or sell at high price and invest?		
	Growth rate	
	4.00%	7.00%
Years until crossover	7.2	6.3
Probability of survival until crossover	29%	37%

This table shows the after-tax rates of return that you would have to earn on the investment account to match the policy's death benefit over 5, 10, 15, 20 and 25 years, as well as the probability of survival over each period:

High price: Required rate of return to match policy's death benefit					
	Years from valuation date				
	5	10	15	20	25
Required rate of return	13.0%	-2.9%	-99.1%	-99.1%	-99.1%
Probability of survival	52%	8%	0%	0%	0%

Should you wait to sell your policy?

This section will help you decide if it makes sense to wait to sell your policy. For convenience, we use an arbitrary waiting period of one year.

There are several reasons why waiting to sell could turn out well for you or your beneficiary:

- The insured could die. Your beneficiary would receive the death benefit, and that would almost certainly provide an excellent investment return for waiting to sell.

- The insured's health could get worse. All other things being equal, that would increase the future price of the policy.

- Life expectancy evaluation firms could provide a shorter estimate of life expectancy (beyond what is caused by the passage of time), even with no change in health. All other things being equal, that would increase the future price of the policy. However, past experience suggests that evaluation firms are more likely to make revisions in the opposite direction.

- Life settlement investors could lower their targeted rate of return. All other things being equal, that would increase the future price of the policy.

- Brokers' commissions could fall. All other things being equal, that would increase the net purchase price that you receive.

- Your marginal tax rate could decrease. That could increase the after-tax proceeds that you receive from a future life settlement.

- More efficient alternatives to the life settlement market could emerge. The high transaction costs and tax inefficiency of the current market invite innovation.

On the other hand, waiting to sell could turn out badly for you or your beneficiary, for these reasons:

- The life settlement market could disappear. We think that this is unlikely, but stranger things have happened.

- The insured's health could improve, because of medical advances or for some other reason. All other things being equal, that would reduce the future price of the policy.

- Life expectancy evaluation firms could provide a longer estimate of life expectancy, even with no change in health. That could happen if the firms make adjustments to their methodology as they gain more experience. All other things being equal, that would reduce the future price of the policy.

- Life settlement investors could demand a higher rate of return. That could happen if investment returns on past transactions are disappointing, of if investors decide that they have been underestimating the risks of life settlements, or if the supply of policies for sale grows more quickly than the capital that is available to buy them. All other things being equal, a higher targeted rate of return would decrease the future price of the policy.

- The policy could become less attractive for purchase. That could happen if there is an increase in the nonguaranteed cost-of-insurance rates or if there is a decline in the financial strength ratings of the life insurance company.

- Your marginal tax rate could increase. That could reduce the after-tax proceeds that you receive from a future life settlement.

We cannot quantify all of these sources of uncertainty for you. However, we can use our valuation methodology to show you what happens if there is a change in the insured's life expectancy (beyond what is caused by the passage of time, with no change in health) or a change in the buyer's desired rate of return. That will give you a point of reference to weigh the risks.

Assumptions

We use these assumptions for our calculations of the present and future after-tax net purchase price:

	Now	Later
Life expectancy source	2001 VBT: Scenario 1	
Buyer's rate of return	12.00%	
Single premium paid to keep policy in force for one year	$10,402	
Broker's commission:	8.00% of gross purchase price	8.00% of gross purchase price
Policyowner's tax rate:		
Ordinary income	35.00%	35.00%
Capital gains	15.00%	15.00%

The estimated life expectancy of each insured can change more or less than expected during the next year, as a result of a change in health or a change in an evaluation firm's assessment. We use a change of 6 months in our calculations. Here are the assumed life expectancies:

Present and future life expectancy (months)

		One year from now		
	Now	Worse	Same	Better
Insured #1	66	51	57	63

The buyer's targeted rate of return can stay the same, increase or decrease during the next year. We use a change of 1.00% in our calculations. Here are the assumed buyer's rates of return:

Present and future buyer's rate of return

		One year from now		
	Now	Lower	Same	Higher
Buyer's rate of return	12.00%	11.00%	12.00%	13.00%

Future purchase price

Impact of a change in life expectancy

Other things being equal, a shorter life expectancy increases a policy's purchase price, and a longer life expectancy decreases the purchase price. For single-life policies, the future purchase price is determined by the health of one insured. For second-to-die policies, the future purchase price is determined by the health and survival of two insureds.

Here are the estimated future gross purchase prices for your policy (before deducting the broker's commission and income tax):

Future gross purchase price:
The impact of life expectancy

		One year from now		
	Now	Worse	Same	Better
If Insured #1 is alive	$232,000	$290,000	$241,000	$193,000

Impact of a change in the buyer's targeted rate of return

Other things being equal, a lower targeted rate of return increases a policy's purchase price, and a higher targeted rate of return decreases the purchase price.

Here are the estimated future gross purchase prices for your policy (before deducting the broker's commission and income tax):

Future gross purchase price:
The impact of the buyer's rate of return

		One year from now		
	Now	Lower	Same	Higher
If Insured #1 is alive	$232,000	$251,000	$241,000	$231,000

Rate of return for waiting

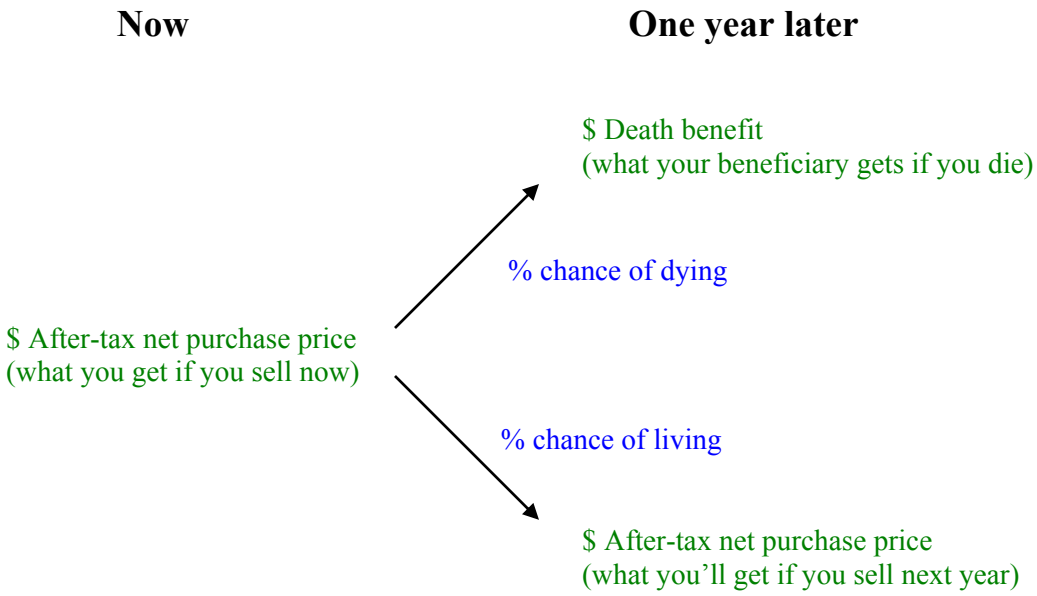
To complete the picture, we need to consider the probabilities of dying or surviving and compute the rates of return for each of these nine scenarios:

		Buyer's rate of return		
		Lower	Same	Higher
Life expectancy	Worse	*1*	*2*	*3*
	Same	*4*	*5*	*6*
	Better	*7*	*8*	*9*

For a single-life policy, there are two possible outcomes in each scenario: the insured can be alive or dead. If the insured dies, the beneficiary receives the death benefit. If the insured lives, the policyowner can sell the policy and receive the future after-tax net purchase price.

For a second-to-die policy, there are four possible outcomes, because either insured can be alive or dead. If both insureds die, the beneficiary receives the death benefit. If either insured is alive, the policyowner can sell the policy and receive the future after-tax net purchase price. However, there are three possible prices, because either or both of the insureds can be alive, and each outcome has a different probability of occurring.

Here's a diagram of the rate-of-return calculation. For simplicity, we use a single-life policy, and we assume that there is enough money in the policy to keep it going for another year without further premiums.



Here's the formula for the internal rate of return (IRR) for waiting:

$$\text{IRR} = \frac{(a\%)(\$yyy) + (b\%)(\$zzz)}{\$xxx} - 1$$

Example: Probability of dying = 10%
Probability of living = 90%
Death benefit = $3,000
After-tax net purchase price now = $1,000
After-tax net purchase price in one year = $900

$$\text{IRR} = \frac{(10\%)(\$3{,}000) + (90\%)(\$900)}{\$1{,}000} - 1 = 11\%$$

Results

Here are the results for the nine scenarios:

		Buyer's rate of return		
		Lower	Same	Higher
Life expectancy	Worse	38.2%	33.6%	29.4%
	Same	17.1%	12.9%	8.6%
	Better	-3.7%	-7.5%	-11.4%

We have computed the internal rates of return using monthly mortality rates, which is more realistic than assuming that all deaths occur at the end of each valuation year. We have also assumed the same buyer behavior that we used to compute gross purchase price.

Why don't we use the policyowner behavior that we used to compute retention value? Because if that produced a lower one-year rate of return, it could affect your decision about waiting to sell. You have two strategies to consider: holding your policy as an asset for your beneficiaries, or holding it for future sale. We want to choose assumptions that will present each pure strategy fairly. That will also help you think about the hybrid strategy of holding the policy as an asset for your beneficiaries while keeping open the option of selling it later.

These one-year rates of return hide important details about the possible outcomes of each scenario. Does waiting look good whether the insured lives or dies, or only if the insured dies? And what are the probabilities of these outcomes?

Here are the details that we have lumped together into the one-year rates of return.

"Today's investment" is the sum of the current after-tax net purchase price and the single premium that has to be paid to keep the policy in force for one more year.

"Tomorrow's benefit" is the future after-tax net purchase price if the insured lives, or the future death benefit if the insured dies.

"Probability" is the chance that the outcome will occur, based on the mortality rates for the selected life expectancy source.

If life expectancy is worse and the buyer's rate of return is lower

Scenario description			
Life expectancy:	***Worse***		
Buyer's rate of return:	***Lower***		
Policyowner's IRR:	***38.2%***		
	Today's investment	Tomorrow's benefit	Probability
If Insured #1 is alive	$223,842	$276,920	95%
If Insured #1 is dead		$800,000	5%

If life expectancy is worse and the buyer's rate of return is the same

Scenario description			
Life expectancy:	***Worse***		
Buyer's rate of return:	***Same***		
Policyowner's IRR:	***33.6%***		
	Today's investment	Tomorrow's benefit	Probability
If Insured #1 is alive	$223,842	$266,800	95%
If Insured #1 is dead		$800,000	5%

If life expectancy is worse and the buyer's rate of return is higher

Scenario description			
Life expectancy:	***Worse***		
Buyer's rate of return:	***Higher***		
Policyowner's IRR:	***29.4%***		
	Today's investment	Tomorrow's benefit	Probability
If Insured #1 is alive	$223,842	$257,600	95%
If Insured #1 is dead		$800,000	5%

If life expectancy is the same and the buyer's rate of return is lower

Scenario description			
Life expectancy:	***Same***		
Buyer's rate of return:	***Lower***		
Policyowner's IRR:	***17.1%***		
	Today's investment	Tomorrow's benefit	Probability
If Insured #1 is alive	$223,842	$230,920	95%
If Insured #1 is dead		$800,000	5%

If life expectancy is the same and the buyer's rate of return is the same

Scenario description			
Life expectancy:	***Same***		
Buyer's rate of return:	***Same***		
Policyowner's IRR:	***12.9%***		
	Today's investment	Tomorrow's benefit	Probability
If Insured #1 is alive	$223,842	$221,720	95%
If Insured #1 is dead		$800,000	5%

If life expectancy is the same and the buyer's rate of return is higher

Scenario description			
Life expectancy:	***Same***		
Buyer's rate of return:	***Higher***		
Policyowner's IRR:	***8.6%***		
	Today's investment	Tomorrow's benefit	Probability
If Insured #1 is alive	$223,842	$212,520	95%
If Insured #1 is dead		$800,000	5%

If life expectancy is better and the buyer's rate of return is lower

Scenario description			
Life expectancy:	***Better***		
Buyer's rate of return:	***Lower***		
Policyowner's IRR:	***-3.7%***		
	Today's investment	Tomorrow's benefit	Probability
If Insured #1 is alive	$223,842	$185,840	95%
If Insured #1 is dead		$800,000	5%

If life expectancy is better and the buyer's rate of return is the same

Scenario description			
Life expectancy:	***Better***		
Buyer's rate of return:	***Same***		
Policyowner's IRR:	***-7.5%***		
	Today's investment	Tomorrow's benefit	Probability
If Insured #1 is alive	$223,842	$177,560	95%
If Insured #1 is dead		$800,000	5%

If life expectancy is better and the buyer's rate of return is higher

Scenario description			
Life expectancy:	***Better***		
Buyer's rate of return:	***Higher***		
Policyowner's IRR:	***-11.4%***		
	Today's investment	Tomorrow's benefit	Probability
If Insured #1 is alive	$223,842	$169,280	95%
If Insured #1 is dead		$800,000	5%

As you review these results, put the entire set into one of these four categories:

Category	*Description*
Wait	The outcome for most scenarios is good whether the insured lives or dies.
Waiting is good on average, but it's risky	The outcome for most scenarios is very good if the insured dies but not so good if the insured lives.
Uncertain	There is no clear pattern to the results.
Sell now	For most scenarios, the windfall if the insured dies is outweighed by the low price if the insured lives.

As if this weren't already complicated enough, consider this: our results arguably understate the value of waiting to sell, because we are ignoring the option of waiting beyond one year. Determining the full value of the option to wait would require an impractical option-pricing calculation.

If you are on the fence about whether to wait or not, waiting is probably the wiser choice.

Preparer's comments

About the preparer

Glenn S. Daily is one of the few fee-only life insurance consultants in the U.S. He provides consulting services to individuals, businesses, trustees and other advisers. Compensation is strictly on a fee basis. Mr. Daily is a Certified Financial Planner™ certificant, a Chartered Financial Consultant, a Chartered Life Underwriter, a New York-licensed Life Insurance Consultant and a graduate of Princeton University. His website is www.glenndaily.com.