

FINRA Advertising Review Letter FR2008-0910-0276/E

September 26, 2008

What You Should Know about Life Settlements and Your Options

The reviewer's comments were incorporated into the article with addition of the following verbiage

Generally they've been suitable for individuals who no longer need or want their insurance policy and who would otherwise surrender their policies or allow them to lapse. Or they may be appropriate for people whose life insurance needs have changed in other ways.

Be sure to take into account that receiving a cash settlement may have tax consequences for you.

Realize that there's no transparent secondary market for life insurance policies. So if you're considering a life settlement, contact a licensed broker or other financial services professional familiar with such transactions.

September 26, 2008

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FINANCIAL TELESIS INC
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REVIEW LETTER

1. What You Should Know About Life Settlements and Your Options Article

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Attention: Elisabeth Mays

Revisions are necessary for the above-referenced What You Should Know About Life Settlements and Your Options Article (the “article”) to be consistent with applicable standards. We offer the following specific comments:

We acknowledge the factors that should be considered when determining if a life settlement is a suitable selection. However, to provide a fair and balanced discussion in accordance with Rule 2210(d)(1)(A), these factors must be enhanced to include further disclosure that addresses the fact that there is no transparent secondary market for life insurance policies. Thus, when considering a life settlement contacting a licensed broker or other financial services professional that is familiar with this type of transaction, may be helpful. In addition, a disclosure must also address the fact that a cash payment from a life settlement can have unintentional tax consequences which must be evaluated when considering this type of strategy.

Further, a *clear* and *prominent* disclosure must remind readers that life settlements are generally suitable for individuals who no longer need or want their insurance policy and would otherwise surrender their policies or allow them to lapse.

Please be advised that our review is limited to the article, and does not extend to the card which is referenced in the material.

If you have any questions regarding these comments, please contact me at 240-386-4500.

Sincerely,



Derek A. Ashworth
Associate Supervisor

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This year's Advertising Regulation Conference will be held on October 2-3 in Washington, D.C. For more information and to register, please view our online brochure at:

www.finra.org/conferences/advertisingregulation

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What You Should Know about Life Settlements and Your Options

A life settlement (aka senior settlement) involves selling an existing life insurance policy to a third party for more than the policy's cash surrender value, but less than the net death benefit. Life settlements involve policyholders who generally have a life expectancy of between two and ten years.

Life settlements can be a valuable source of liquidity for people. Generally they've been suitable for individuals who no longer need or want their insurance policy and who would otherwise surrender their policies or allow them to lapse. Or they may be appropriate for people whose life insurance needs have changed in other ways. But they can have high transaction costs and unintended consequences¹.

How do life settlements work?

The purchasers of life settlements either hold the policies to maturity and collect the net death benefits or resell policies to other investors. In exchange, you receive a lump sum payment. The amount you'll receive depends on a range of factors, including your age, health and the terms and conditions of your policy—but it is generally more than the policy's cash surrender value and less than the net death benefit. Be sure to take into account that receiving a cash settlement may have tax consequences for you.

Whoever buys your policy acquires a financial interest in your death. In addition to paying you a lump sum for your policy, the buyer agrees to pay any additional premiums for as long as you live. In exchange, the buyer will receive the death benefit when you die.

Realize that there's no transparent secondary market for life insurance policies. So if you're considering a life settlement, contact a licensed broker or other financial services professional familiar with such transactions.

Factors you should consider:

- If you are considering buying a new policy with the proceeds of the life settlement, you will need to determine whether you will be able to get a new policy with equivalent coverage since your old policy will still be in effect.
- If you can get a new policy, you may have to pay higher premiums because of your age or changes in your health status.

Alternatives to a life settlement:

If its cash you need:

- you might want to see whether you can borrow against your policy.
- if you have a long-term, catastrophic, or terminal illness, see if you're eligible for accelerated death benefits so you can receive benefits on your policy prior to dying.

If your goal is to retain coverage but lower the premiums:

- you might want to consider the option of reducing your existing amount of policy coverage, or
- get another policy through a "1035 Exchange." The Internal Revenue Service allows you to exchange an insurance policy that you own for a new life insurance policy insuring the

¹ The following information summarized from NASD at

<<http://www.nasd.com/InvestorInformation/InvestorAlerts/AnnuitiesandInsurance/SeniorsBewareWhatYouShouldKnowAboutLifeSettlements/index.htm>>

same person without paying tax on the investment gains earned on your original contract—which could be a substantial benefit. Section 1035 of the Internal Revenue Code, governs "1035 Exchanges."

Give us a call or fill out the card so we can explain your options and help make the best decision for your situation.