



ACCESS FUNDS FROM YOUR LIFE INSURANCE

Frequently Asked Questions

About Life Settlements

What is a life settlement?

A life settlement is the sale of an existing life insurance policy to a third-party buyer for a lump sum of cash. The buyer takes over the premium payments going forward and receives the death benefit when the time comes. You walk away with cash today and no further obligations under the policy.

What is a viatical settlement, and how is it different?

A viatical settlement is a life settlement involving someone who has been diagnosed with a serious or terminal illness. The transaction itself works the same way, but viatical settlements typically produce higher offers (because life expectancy is shorter) and may qualify the seller for complete federal income tax exemption under Section 101(g) of the Internal Revenue Code. For cancer patients, this is usually the relevant category.

Is this legal?

Yes. The right to sell a life insurance policy was established by the U.S. Supreme Court in 1911 in *Grigsby v. Russell*. Life settlements are now regulated in most states, with consumer protections including provider licensing, mandatory disclosures, escrow requirements, and rescission periods.

How much could my policy be worth?

It depends on the size of the policy, the type of policy, the insurance carrier, and most significantly the medical situation of the insured. As a general guide, healthy seniors often receive 8 to 15 percent of the face value. Cancer patients and others with serious illness often receive 30 to 60 percent or more. Viatical cases involving a terminal diagnosis can sometimes reach 50 to 80 percent. The only way to know your number is a formal evaluation, which costs nothing.

Qualifying and Getting Started

Who qualifies?

Most cancer patients with a life insurance policy can be evaluated. As a starting point, the policy should typically have a face amount of at least \$100,000, be more than two years old, and be a type that's transferable (universal life, whole life, convertible term, or in some cases group life). The insured should have a medical situation that meaningfully affects life expectancy. None of these are absolute rules, and many cases that don't fit perfectly are still worth exploring.

What about term life insurance — doesn't it have no value?

Not necessarily. If your term policy includes a conversion option that lets you convert to permanent coverage, the conversion right itself may make the policy sellable — sometimes years after issue, and sometimes even after a serious diagnosis. Don't assume a term policy is worthless without having it reviewed.

What if my policy is through my employer?

Group life insurance can sometimes be settled, but usually only after it's been converted to an individual policy. Most group policies have a conversion window — often 30 days after coverage ends. If you're considering reducing hours, taking medical leave, or leaving work entirely, find out what your conversion rights are *before* the window closes.

How long does the process take?

Typically 60 to 120 days from first conversation to cash in hand. Viatical cases — where life expectancy is short — can sometimes be expedited to 30 to 60 days. The slowest part is usually gathering medical records from your treatment team.

Does it cost anything to find out?

No. A policy review is free, and there is no obligation to sell. If you decide the offer isn't right for you, the process simply ends.

Implications and Concerns

Will I have to pay taxes on the proceeds?

For cancer patients who qualify under Section 101(g) — meaning a licensed physician certifies them as terminally ill (life expectancy within 24 months) or chronically ill (unable to perform certain activities of daily living) — the entire proceeds may be excluded from federal income tax. Most states follow the federal treatment. For sales that don't qualify, the proceeds are taxed in layers (basis is tax-free, gain up to surrender value is ordinary income, the rest is capital gain). Confirm your specific situation with a tax professional before signing.

Will a settlement affect my Medicaid, SSI, or other benefits?

It can. Means-tested benefits like Medicaid and SSI have strict asset limits, and a lump sum from a settlement can push you over those limits and disqualify you from coverage. There are legal planning structures — Medicaid-compliant annuities, special needs trusts, spend-down strategies — that can preserve eligibility, but they generally need to be set up *before* the proceeds arrive. If benefits are or might be in your picture, consult an elder law attorney or certified Medicaid planner before moving forward.

Will my health insurance, Medicare, or Social Security be affected?

No. Health insurance, traditional Medicare, and Social Security retirement or disability benefits are not means-tested and are not affected by a life settlement. (Medicare Savings Programs and the Extra Help prescription drug subsidy do have asset limits and could be affected.)

Can I change my mind after agreeing to sell?

Most states give you a rescission window — typically 15 to 30 days after closing — during which you can return the proceeds and unwind the transaction. After that window closes, the sale is final.

Can my family be involved in the process?

Yes, and we encourage it. You can authorize a spouse, adult child, attorney, or anyone else to attend calls, review documents, and help you think through the decision. Anyone who tries to discourage you from involving family is showing you something about themselves.

Do I need a lawyer?

Not always, but it's rarely a mistake to have one. For larger policies, policies owned by trusts, or any situation involving Medicaid or other public benefits, an attorney is essentially required. A single consultation often costs less than people expect and can prevent costly mistakes.

Still have a question?

If something isn't covered here, please reach out. There is no cost to ask, and no obligation to do anything afterward.

Contact us → **Request a free policy review** → **Read our patient guide** →