



ACCESS FUNDS FROM YOUR LIFE INSURANCE

## PATIENT GUIDE

## Should I Consider Selling My Life Insurance Policy?

*A simple 5-step guide for cancer patients and families · Cancer Funding*

A cancer diagnosis often comes with financial pressure that's nearly as hard as the illness itself. Treatment costs, lost income, caregiving expenses, and the weight of premiums on insurance you bought years ago all pile up at exactly the wrong time.

For many patients, the life insurance policy you already own is one of the most valuable financial resources you have. You may not need the death benefit the way you once did — and the policy may be worth far more on today's market than you realize. This guide walks you through five steps for thinking it through, *clearly and at your own pace*. There is no rush, and there is no decision you have to make today.

### What this guide is, and what it isn't

- It is a structured way to think about whether a life settlement might fit your situation.
- It is not a substitute for advice from a tax professional, an attorney, or a benefits specialist. We'll tell you when you need those people.
- Working through this guide costs nothing and commits you to nothing.

# 1

## STEP 1

## Understand what you're considering

A **life settlement** is the sale of a life insurance policy you own to a third-party buyer for a lump sum of cash. The buyer takes over your premium payments from that point forward and eventually receives the death benefit. You walk away with cash today and no further obligations under the policy.

A **viatical settlement** is the same type of transaction, structured for someone who has been diagnosed with a serious or terminal illness. Viatical settlements typically produce higher offers (because the timeline is shorter) and the proceeds may be completely free of federal income tax under Section 101(g) of the tax code. For cancer patients, this is usually the relevant category.

### The three numbers that drive everything

- **Death benefit** — what your policy would pay your beneficiary when you die. The headline number on the policy.

- **Cash surrender value** — what the insurance company will pay you to cancel the policy today. For term policies, this is usually zero. For permanent policies, it's typically a small fraction of the death benefit.
- **Life settlement offer** — what a third-party buyer will pay you. When a settlement makes sense, this number sits between the surrender value and the death benefit, often substantially higher than the surrender value.

### Why a cancer diagnosis matters

Life settlement offers reflect expected timelines. For healthy seniors, offers typically run 8 to 15 percent of the policy's face value. For cancer patients, offers commonly run 30 to 60 percent. For patients whose physicians can certify them as terminally ill under federal definitions, offers in the 50 to 80 percent range are not unusual. On a \$500,000 policy, that's the difference between roughly \$40,000 and \$400,000 — for the same policy.

#### WHAT TO DO NEXT

Take a moment to find your policy. Many patients haven't looked at theirs in years. The next step is to gather the basic facts about what you have.

## 2

### STEP 2

## Gather your facts

Before any meaningful conversation about your options, you need the basic information about your policy in one place. If you have the actual policy documents, dig them out now. If you don't, call your insurance company — they can send you the details by mail, secure email, or through their online portal.

### Write these down

- Insurance carrier:** \_\_\_\_\_
- Policy type** (universal life, whole life, term, or other): \_\_\_\_\_
- Face amount / death benefit:** \$ \_\_\_\_\_
- Annual premium:** \$ \_\_\_\_\_
- Cash surrender value** (call the carrier; this changes over time):  
\$ \_\_\_\_\_
- Year the policy was issued:** \_\_\_\_\_
- Insured's age and state of residence:** \_\_\_\_\_ / \_\_\_\_\_
- Current beneficiaries:** \_\_\_\_\_

### If you have a term policy, ask one extra question

Many people assume a term life policy has no value because it has no cash surrender value. That's often *wrong* for cancer patients. Ask your insurance company:

- *"Is this term policy convertible to a permanent policy, and is the conversion window still open?"*

If the answer is yes, the policy may have substantial settlement value even though the surrender value is zero. Don't let go of a convertible term policy without exploring this.

## If your policy is through your employer

Group life insurance can sometimes be settled, but usually only after it's converted to an individual policy. Group conversion windows are short — often 30 days after coverage ends. If you're considering reducing hours, taking medical leave, or stopping work, find out your conversion rights *before* any window closes.

### WHAT TO DO NEXT

With your facts in hand, you're ready to do a quick check on whether this option even fits your situation.

## 3

### STEP 3

## Check whether you might qualify

Not every patient will qualify for a settlement, and not every policy is sellable. The check below is a starting point. If you can check **four or more** of these boxes, your situation is worth taking to a formal review. A review costs nothing.

- I (or the insured person) own a life insurance policy with a face amount of at least \$100,000.
- The policy has been in force for more than two years.
- The policy is universal life, whole life, convertible term, or a similar transferable type.
- The insured has been diagnosed with cancer or another serious illness.
- I no longer need the death benefit for its original purpose, can no longer afford the premium, or need cash now more than I need the future benefit.
- I have not been pressured by anyone (sales call, mailer, agent) to make a fast decision.

### What if you didn't check enough boxes?

It doesn't necessarily mean a settlement isn't possible — it means the case is less obvious. A 15-minute phone conversation with a licensed provider can usually tell you whether further evaluation makes sense. There's no cost to ask, and they'd rather hear from you and tell you the answer is no than have you assume it without checking.

### What if you have a meaningful health condition but a smaller policy?

Policies under \$100,000 are sometimes evaluated, especially in viatical cases where life expectancy is shorter. The threshold isn't a hard line. Ask.

### WHAT TO DO NEXT

Before any settlement conversation goes far, there are four questions you should get answered. They can change the math in your specific situation.

## 4

### STEP 4

## Get the answers that affect your decision

Four follow-ups, in order of how much they can change your outcome.

### 1. Call your insurance company about the accelerated death benefit (ADB) rider

Many life insurance policies include a built-in provision that lets you receive part of the death benefit early if you qualify under the policy's definition of terminal illness. The benefit is paid by the insurance company itself, often quickly, and is usually tax-free. Ask: *"Do I have an accelerated death benefit or terminal illness rider, and what are its terms?"* For some patients, the ADB amount is enough on its own and no settlement is needed. For others, the ADB amount is less than what a sale could fetch — in which case the settlement is the better path. Knowing both numbers is essential.

## 2. Talk with your treating physician about possible certification

If your medical situation warrants it, your treating physician may be able to provide a written certification that you are "terminally ill" under federal definitions (reasonably expected to die within 24 months). This certification is what unlocks the tax-free treatment of any settlement proceeds. Receiving this certification is not the same as receiving a death sentence — many patients certified this way live considerably longer than the standard suggests. But the tax treatment, once qualified, is locked in.

## 3. Talk with a tax professional

Whatever you do, the tax treatment of the proceeds will affect what actually ends up in your pocket. A 30-minute conversation with a CPA or tax attorney about Section 101(g) can tell you whether your specific situation likely qualifies for tax-free treatment and what the after-tax outcome of an offer would look like.

### STOP and get specialist help before signing anything if any of these apply:

- You currently receive (or expect to need) Medicaid, SSI, VA pension, or hospital charity care. A lump sum can disqualify you from these benefits unless planning is done first.
- Anyone is pressuring you to sign within a few days, or has sent you an unsolicited offer to buy your policy.
- Your policy is owned by a trust, or your estate is large enough to potentially face estate tax.

## 4. Talk with your family

Selling a policy affects the people who would have received the death benefit. The decision is yours to make, but involving your spouse, partner, or whoever else is most affected usually leads to better outcomes — they can help with paperwork, attend calls, and spot questions you might not think to ask.

### WHAT TO DO NEXT

With these answers in hand, you can compare your options and make an informed decision.

# 5

## STEP 5

## Compare your options and decide

There are several things you can do with a life insurance policy you no longer want or can afford. The right answer depends on your specific numbers and your specific situation. Here's a quick comparison:

Option	Cash now?	Keep coverage?	Typical fit for cancer patients
<b>Life settlement</b>	Yes — lump sum	No — ends	Often the best for cancer patients with policies over \$100,000; may qualify for tax-free proceeds.

Option	Cash now?	Keep coverage?	Typical fit for cancer patients
<b>Accelerated death benefit (ADB)</b>	Yes — partial	Reduced or ends	Strong first option if your policy has this rider; quick to access, usually tax-free.
<b>Policy loan</b>	Yes — limited	Yes	Useful for short-term needs; only available on policies with cash value.
<b>Cash surrender</b>	Yes — small	No — ends	Almost always the worst paid option; check settlement value first.
<b>Let it lapse</b>	No	No — ends	Never the right answer if any other option exists. Walking away from real value.
<b>Keep the policy</b>	No	Yes	The right choice when the death benefit still serves its original purpose and the premiums remain affordable.

### If you decide to explore a settlement, here's what happens

<b>1</b> First conversation <i>Day 1</i>	<b>2</b> Application & records request <i>Week 1</i>	<b>3</b> Medical underwriting <i>Weeks 3–6</i>	<b>4</b> Written offer <i>Weeks 6–8</i>	<b>5</b> Your decision <i>As needed</i>	<b>6</b> Closing & funds <i>Weeks 10–16</i>
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Total elapsed time from first call to cash in hand is typically 60 to 120 days. Viatical cases involving a shorter life expectancy can sometimes close in 30 to 60 days. Most states give you a rescission window — commonly 15 to 30 days after closing — during which you can change your mind and unwind the transaction.

### A few final reassurances

- A policy review costs you nothing and creates no obligation.
- “Don’t sell” is a perfectly valid answer that you should hear when it’s the right one for your situation.
- You can stop the process at any point before signing, and the rescission window protects you for a period after.
- Anyone trying to rush you, hide fees, or discourage you from involving family or independent advisors is showing you something about themselves. Trust that signal.

#### Ready for a free, no-obligation policy review?

A short phone call — usually 15 to 20 minutes — is enough to know whether further evaluation makes sense for your specific situation.

Visit [cancerfunding.net](http://cancerfunding.net) or contact us through the website for next steps. There is no charge for a conversation, and there is no obligation to do anything afterward.