

## Viatical Settlements

VS.

## Life Settlements

As the owner of a life insurance policy, you have certain expectations and rights. One of those rights is **the ability to sell that policy to a third party for an immediate, one-time lump sum payment**, or settlement. Whatever your policy type—term, group, universal—they are nearly all eligible to be sold.

Two of the settlement choices available, **viatical settlements** and **life settlements**, share some similarities, but they also have key differences. These include who qualifies, how benefits are calculated, and how the lump sum payment is taxed.

Let's start with some definitions:



### Viatical Settlements

A **viatical settlement** is an option for life insurance policy holders who

- ✓ Have been **diagnosed as terminally ill**, usually with under two years to live, although that can vary. The age of the policy holder does not matter.
- ✓ Have a policy that has **been in force for at least two years**.
- ✓ Have a **death benefit of at least \$100,000**.

A major reason policy holders initiate a viatical settlement is to **help pay for the often overwhelming expenses** that come with a terminal diagnosis, including medical treatment, home care professionals, etc.

### Life Settlements

With a **life settlement**, also called a senior settlement, the policy holder must

- ✓ Be at least **65 years old**, but are most often in their seventies.
- ✓ Have a policy that has **been in force for at least two years**.
- ✓ Have a **death benefit of at least \$100,000**.

Policy holders usually choose this option because they **have expenses they cannot meet**, or because they can no longer afford to, or no longer wish to, **pay their premiums**.



### Similarities

Viatical ✓

Life ✓

Both settlement types **ARE the sale of existing life insurance policies to a third party** for a lump sum payment.

Viatical ✓

Life ✓

Both settlement types **ARE viable options with real benefits** as opposed to simply surrendering your policy.

Viatical ✗

Life ✗

It's important to remember that **settlements are NOT loans**—the lump sum payment is yours to use with no restrictions.



### Differences

Viatical Settlements

have **higher** payouts.

50%  
-70%

Viatical

20%

Life

As a rule, **viatical settlements have higher payouts—50% to 70% of your policy's face value**—because the new owner of the policy will have fewer premium payments to make. A life settlement pays out **on average 20% of your policy's face value**, which is still considerably more than you would receive with a surrender.

Viatical Settlements

are **not** usually taxed.

The biggest difference between the two settlements is in how they are taxed. While it can vary from state to state, **viatical settlements are not usually taxed, as they are not considered taxable income**. Life settlements, however, are considered taxable income, and you may have to pay taxes on the settlement.

### Make an Informed Decision

The decision as to whether you should choose to seek a viatical or life settlement should not be taken lightly. **Not all life settlement companies are the same**. Do your research and choose a company with the knowledge, experience, and resources to guide you through the entire process.

If you are considering the sale of your life insurance policy, contact the experts at **PolicyBank®** for more information so we can help you make an informed decision.

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