

LIFE SETTLEMENT INVESTMENTS

Benefits of Investing in a Fund Versus Buying a Policy Directly

INVESTING IN A FUND

BUYING A POLICY DIRECTLY

Diversification of Risk



Life settlement funds pool together a portfolio of life insurance policies, diversifying the risk across many different lives and policies. Investors gain exposure to multiple policies, reducing the risk that any single policy underperforms, should the life expectancy exceed projections.



Purchasing an individual policy directly, ties you to the life expectancy and financial status of that single policyholder, concentrating the risk in one life and making the investment more susceptible to that person's specific outcomes.

Lower Capital Commitment



You can participate in a broad fund with smaller minimum investment requirements compared to the cost of buying an individual policy outright. These funds typically allow investors to participate with smaller amounts of capital.



Purchasing an individual life insurance policy requires significant upfront capital, as policies often cost hundreds of thousands or even millions of dollars, especially when covering high-value insured individuals.

Liquidity and Exit Options



Some funds may offer liquidity options, allowing investors to buy and sell units or shares, depending on the fund's structure, providing more flexibility in managing capital. Plus, returns from matured policies can be reinvested into new policies in the next fund for further growth opportunity.



Life insurance policies are illiquid assets, often requiring the buyer to hold the policy until maturity or seek out a secondary buyer, which can be a complex and time-consuming process.

Professional Management



These funds are managed by professionals who specialize in evaluating and purchasing life insurance policies, assessing life expectancies, premiums, and policy terms. They can negotiate better terms, manage the portfolio's performance, and provide a level of expertise that individual investors may lack.



As an individual buyer, you would need to conduct your own due diligence, which requires knowledge of actuarial science, medical underwriting, and the complexities of policy terms. Managing a single policy is more hands-on and risky if you're not well-versed in this field.

Reduced Ongoing Maintenance



The fund manager handles all administrative tasks, such as premium payments and managing policy maturation. Investors simply contribute capital and receive returns.



You would be responsible for continuing to pay the premiums on the policy, ensuring that the policy stays in force, and managing the administrative aspects of the investment until the insured person passes away.

Predictable Returns



These funds typically target specific returns, often based on actuarial calculations and life expectancy forecasts. The return profile tends to be more predictable over a large pool of policies.



Returns are tied to the life expectancy of the single policyholder you purchase the policy on. If they live longer than expected, returns may be delayed, leading to unpredictability in the investment's outcome.

Investing in a Life Insurance Settlement Fund provides diversification, professional management, lower capital commitment, and reduced risk exposure compared to directly purchasing an individual policy, making it a more accessible, liquid, and lower-risk option for many investors.