



Alternative Investment Opportunity: Life Settlements

A life settlement is the legal sale of an existing life insurance policy for more than its cash surrender value, but less than its net death benefit, to a third party.

The Opportunity:

- A non-correlated asset class offering portfolio diversification independent of financial market fluctuations.
- Assets are existing, "in-force" policies issued by "A" rated life insurance companies only.
- Custom, closed-ended Special Purpose Vehicles (SPV) are created for investors and include transparent, turnkey portfolio servicing for the lifetime of each SPV.

Access:

- Previously available only to Institutional investors.
- Secondary Market – B2C market where transactions involve the original policy owners.
 - Transactions are conducted through licensed life insurance entities.
 - Customization of a portfolio according to a specific policy selection criteria.
 - LSXCM analyzes newly available opportunities each day, approx. \$500 million of face value monthly.
- Tertiary Market – B2Bmarket where larger amounts of capital can be deployed in a shorter timeframe.
 - An unregulated, reseller's market.
 - Tertiary buyers pay a premium for ease of acquisition and thereby a lower return on investment.

A Deliberate Process:

- Two different disciplines needed – Financial and Medical.
- Financial – Financial underwriting determines which carriers and policies are potentially viable investments.
 - Premiums required to keep each policy in force are analyzed.
- Medical – Individual medical records and recent health status are analyzed to gauge estimated longevity.
 - Actuarial life expectancies use statistical tables within a large homogeneous group to predict life expectancy.
 - Clinical life expectancies study an individual and only consider the factors of that person's health and history that could affect that person's longevity.

"Success is in the Buying" – The combination of data points collected from financial and medical processes becomes the basis to engage desirable opportunities and disregard marginal possibilities.

Investment Considerations:

- Capital
 - Investors can scale the amount of capital (starting at \$2 million) in the SPV to build its customized portfolio of policies.
- Duration
 - Investors can establish a target maturity range for the policies to be purchased.
- Diversification
 - Acquire opportunities balancing multiple factors to maximize diversification in the SPV's portfolio.
- Taxes
 - Returns from a policy maturity in excess of the cost basis will be taxed as passive income to the investor.
- Patience
 - To build and close the pool from inventory flow of the secondary market.



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