

Life Policy Trading trends: Distributing Funds While Still Living

Passing it on now instead of in the will

With high property prices (double what they were just 10 years ago, despite the recent slowdown) making it difficult for the next generation to become property-owners, we're seeing people become creative with the timeframes for passing on their legacies. Recently Policy Exchange assisted a policyholder who cashed in one of his policies to help fund a grandchild into their first home. The policyholder was happy he could provide that assistance now and enjoy seeing the fruits of his gift.

When the client outgrows the policy, or no longer needs insurance

A client who may have taken out a life insurance policy decades ago when they had young children may decide their insurance is no longer a necessity, once the children become adults with life insurance policies of their own.

"Whilst the policy may still have some residual insurance value, we sometimes hear the comment 'The house is paid off, the kids have left home, so we no longer need insurance cover. We've put the money to use elsewhere'", says Donnison.

The changing priorities of ageing clients

As the age of policyholders with bonus-backed whole of life and endowment policies rises, we see these types of post-retirement decisions become more commonplace. Policyholders choose to sell a bundled life insurance policy for three broad reasons:

- **To supplement retirement income** - cited by **39%**, almost 2 out of 5 enquiries received
- **To clear debts** (including mortgages or debts against the policy) - **36%** of enquiries
- **To reinvest the policy's cash value elsewhere** (investment property or family home) – **25%** of enquiries

The Policy Exchange option offers a way to get the policyholder the best possible cash payout, whether the requirement is a desire to support a family member, for additional income to supplement Government Superannuation, or even a wish to give to charity. A rise in legal challenges to wills can also be the impetus for some choosing to distribute funds while still living rather than leave an inheritance.

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