

## Maximizing Policy Value

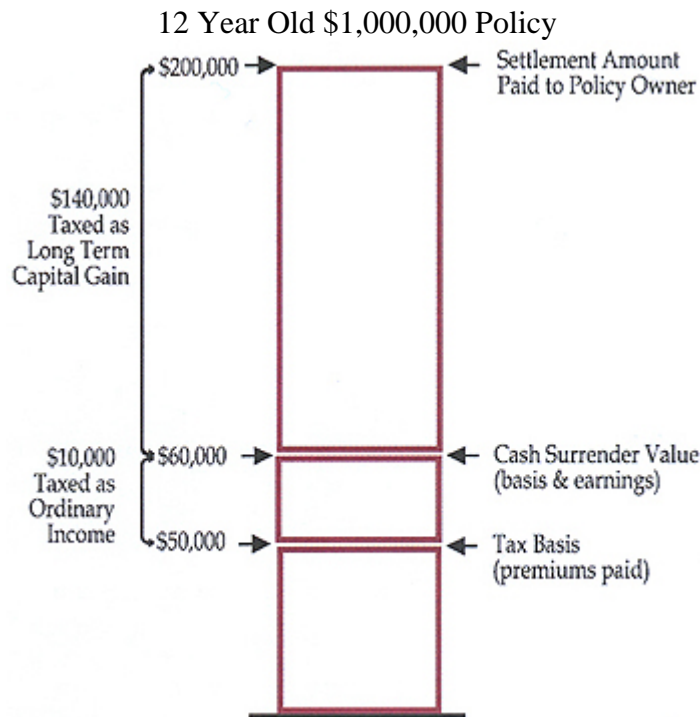
### Tax Considerations

The following analysis has not been subject to a definitive IRS Ruling, but is generally accepted within the industry as the tax treatment of life settlement proceeds. IMS recommends that a qualified tax professional be consulted prior to executing a life settlement transaction.

- The portion of the life settlement proceeds equivalent to the premiums paid is normally treated as return of cost basis and not subject to tax.
- The portion of the life settlement proceeds received in excess of premiums paid and up to the cash surrender value is normally treated as gain and taxed as ordinary income.
- The portion of the life settlement proceeds received in excess of the cash surrender value is normally treated as gain and taxed as capital gains.

Unlike proceeds from a Viatical Settlement on a terminally ill person which are tax free, proceeds from Life Settlements are subject to taxation. This chart explains the three tier system.\*

### ILLUSTRATION OF TAXATION



\* Consult with your tax professional for advice.