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Hidden Business Assets Get M&A Deals Done

Naples, Florida -- When deciding to sell a company and retire, a business owner's primary goal is to extract maximum value from the business he or she has worked hard to build. Unfortunately, too many exiting entrepreneurs (and their M&A advisors) fail to recognize the enormous value hidden within one of their most overlooked and underutilized business assets.

Companies purchase numerous business life insurance policies for risk management, employee benefit and investment purposes. When a company is up for sale, some of these life contracts may become obsolete because the reasons for their purchase are no longer relevant. And after a company is sold, additional business life policies may outlive their usefulness.

Historically, exiting entrepreneurs faced limited disposition options when their changing needs rendered their business life policies unnecessary: allowing the policy to lapse, thereby forfeiting the value of all premiums paid or surrendering the policy to the original insurer for its cash surrender value, an amount which doesn't reflect its true value.

Today, an innovative asset optimization technique, a life settlement (the sale of a life insurance policy to an institutional investor for a cash payment that is greater than the policy's cash surrender value), can convert the hidden value in no longer needed qualified business life insurance contracts into significant immediate cash, which can then expedite a company's sale by providing the extra money needed to fill the gap between the selling price and the buying offer.

"When you consider that the average cash surrender value of a life insurance policy is only 4% of the face value while the average life settlement payout is 20%, a life settlement can be an effective tool for liberating substantial liquidity hidden within a dormant business asset. This unexpected cash windfall can be used to quickly get an M&A deal done for the desired price and on favorable terms," explains Rhona Sacks, JD, MBA, CLU, an attorney and business coach.

Although selling unnecessary business life policies in the secondary life insurance market can be profitable, navigating the labyrinthine life settlement marketplace can be challenging. The nascent life settlement industry, in general, lacks ample due diligence and transparency as well as knowledge of and services responsive to the unique needs of retiring entrepreneurs in the process of selling their companies.

Analyzing the expendability of business life policies, coordinating the sale of obsolete policies with the sale of a company, safeguarding privacy and securing the highest quality institutional offer demand specialized advisory skills in exit planning, business life insurance and life settlements. Working with an independent advisor who has expertise in these disciplines is the key to a successful, efficient transaction.

Rhona Sacks, an attorney and business coach, is the president of Legal Life Settlements, an M&A advisory company specializing in helping retiring business owners extract maximum value from their hidden business assets. Legal Life Settlements is the only firm in the life settlement industry exclusively dedicated to serving the unique needs of exiting entrepreneurs.

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