



GWG Holdings Endorses Federal Legislation Allowing Seniors to Use Life Insurance Proceeds for Long-Term Care Costs Tax-Free

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Potential Law Would Save Billions for Taxpayers, Improve Quality of Life for Millions of Seniors

Minneapolis, Dec. 13, 2018 (GLOBE NEWSWIRE) -- GWG Holdings (NASDAQ:GWGH) announced its endorsement of a new piece of federal legislation that, for the first time, would enable seniors to sell life insurance policies they own and set aside the proceeds for long-term care, tax-free. By keeping seniors off Medicaid for their long-term care, the legislation has the potential to save taxpayers as much as \$2 billion over the next nine years, according to the [Alliance for Senior Health Care Financing](#), and it gives seniors access to assets that can improve the quality of life in their final years.



GWG Life Executive Vice President Chris Orestis



[H.R. 7203](#), introduced by U.S. Rep. Kenny Marchant (R-TX) and U.S. Rep. Brian Higgins (D-NY) would permit seniors, regardless of their health status, to use life insurance policies they already own to fund a wide range of health care costs, including long-term care expenses and long-term care insurance premiums.

The concept of using life insurance proceeds to fund a tax-free account only to be used for post-retirement health and long-term care costs was created by GWG Life Executive Vice President Chris Orestis in 2010. It became the LifeCare Xchange®, the GWG Life product that has options for seniors, one of which gives those with chronic illness or a terminal condition the ability to exchange a life insurance policy for a tax-free benefit plan

paying for living expenses and long-term care. It was endorsed in 2017 as part of the National Association of Insurance Commissioners (NAIC) white paper "[Private Market Options for Financing Long-Term Care](#)."

H.R. 7203 would take the LifeCare Xchange one step further and give seniors the right to set aside money received from life insurance policies tax-free before they need it, allowing seniors to plan for long-term care and not have to wait to cash in their policies when they are ill.

"I am thrilled to see the concept we have pioneered being put into legislation," said GWG Life Executive Vice President Chris Orestis. "Seniors who have felt they had no choice but to lapse a life insurance policy to qualify for Medicaid now have an option that can improve their lives in their final years. This is an important step toward finding solutions to the long-term care crisis this country faces."

For many seniors, a life insurance policy is one of their most valuable assets, but the policies may only pay out benefits when the holder dies, leaving untapped resources for many retirees. A secondary market has evolved to purchase the policies, but many seniors, unaware this opportunity exists, abandon the policies as the premiums rise or sell them back to the original insurer for pennies on the dollar.

In addition, anyone who is covered by Medicare cannot contribute to a Health Savings Account, which would be a logical place for life insurance proceeds to be held in. This bill would authorize using the proceeds of a life settlement—the sale of a life insurance policy for a market value return—to be rolled over, tax-free, into accounts dedicated to permitted health care expenses.

Currently, end-of-life decisions about care become a race to find assets to pay for what can be very expensive options – [Fidelity Investments](#) estimates the total cost of healthcare and long-term care costs in retirement will average \$280,000 for the senior who retires this year. With these costs so prohibitively high, 62 percent of all nursing home residents rely on Medicaid funding to pay for their care, according to the [Kaiser Family Foundation](#). Of that population, the [Government Accounting Office](#) estimates 38 percent own a life insurance policy that they will abandon to qualify for Medicaid.

The 2017 National Association of Insurance Commissioners white paper identified life settlements as "one option seniors might use to generate resources to pay for their long-term care needs."

"Policyowners who sell their policies receive a lump sum payment that is generally four or more times greater than if they lapsed or surrendered their policy, according to government and university studies," the report found.

Under the proposed legislation, distributions from the accounts would not be taxed if used for permitted expenses. Distributions for unauthorized purposes would be subject to both income taxes and penalties. Any undistributed amounts in the accounts, including investment earnings, would not be taxed during the lifetime of the account holder or their spouse.

Supporters of H.R. 7203 believe it has widespread, bipartisan support as a solution to the growing cost of senior care in the country that cuts the costs of a massive taxpayer-financed government program. The bill has been referred to the House Ways and Means Committee on which Marchant and Higgins serve.

About GWG Holdings, Inc.

GWG Holdings, Inc. (Nasdaq: GWGH), the parent company of GWG Life, Life Epigenetics and YouSurance, is a leading provider of liquidity to consumers owning life insurance policies, an owner of a portfolio of alternative assets, and the developer of epigenetic technology for the life insurance industry and beyond. [GWG Life](#) provides value to consumers owning illiquid life insurance products across America, delivering them more than \$564 million for their policies since 2006. GWG Life owns a life insurance policy portfolio of \$1.96 billion in face value of policy benefits as of September 30, 2018. [Life Epigenetics](#) is commercializing epigenetic technology for the life insurance industry and beyond. [YouSurance](#), a digital life insurance agency, is working to embed epigenetic testing into life insurance purchasing to provide consumers a value-added ecosystem that supports their health and wellness while reducing the cost of their insurance.

For more information about GWG Holdings, email info@gwgh.com or visit www.gwgh.com.

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