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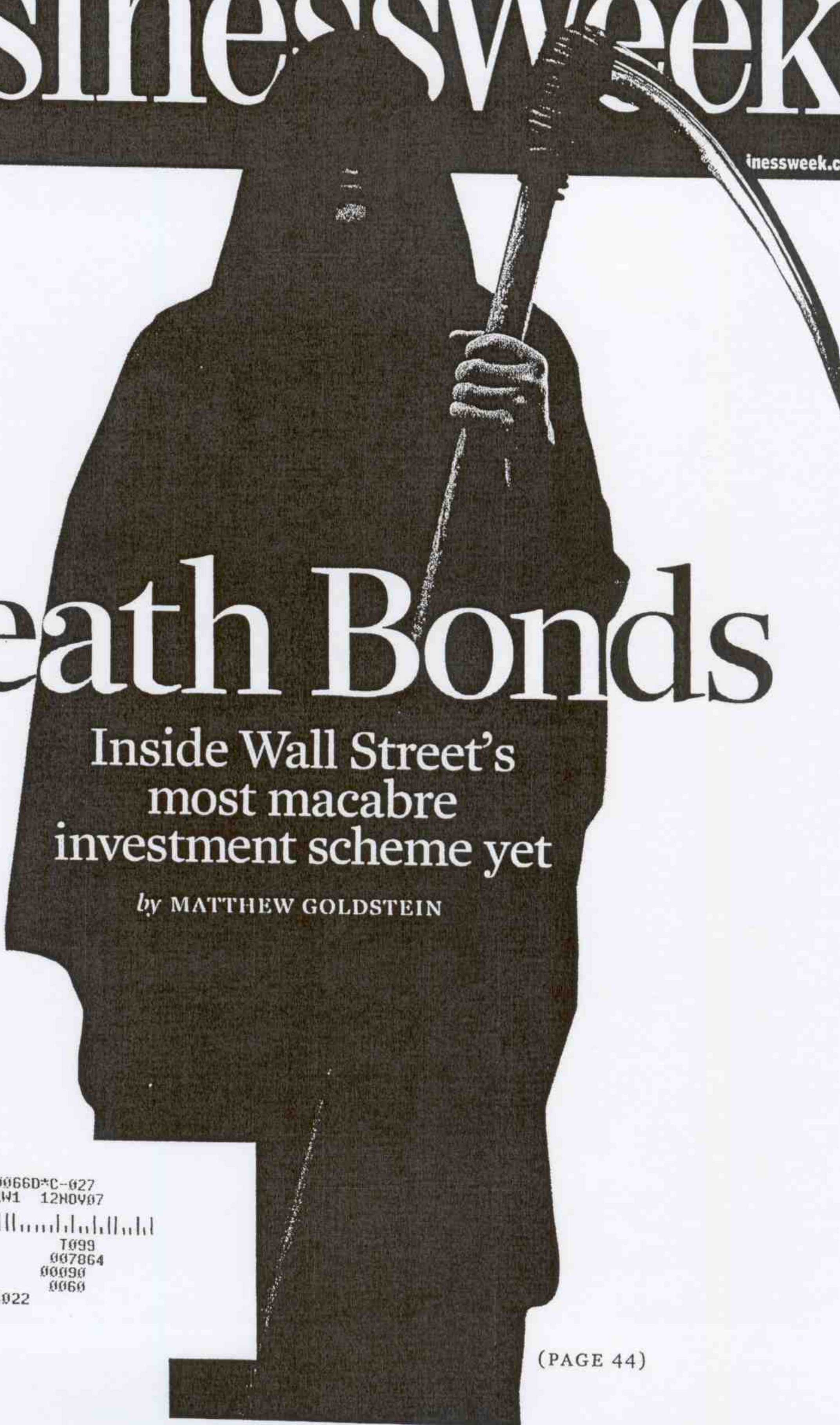

Death Bonds

Inside Wall Street's most macabre investment scheme yet

by MATTHEW GOLDSTEIN

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PROFITING FROM MORTALITY

Death bonds may be the most macabre investment scheme ever devised by Wall Street

by MATTHEW GOLDSTEIN

PHOTOGRAPHS *by* PHILLIP TOLEDANO

IN MAY, AS THE SUBPRIME MORTGAGE MARKET WAS cracking, many of the biggest players in finance gathered at a conference in New York to talk about the next exotic investment coming down the pike: death bonds. When the event was held two years ago, just 250 people showed up. This time, nearly 600 descended on the Sheraton Hotel & Towers for the three-day confab, including delegations from Bear Stearns, Deutsche Bank, Lehman Brothers, Merrill Lynch, UBS, Wachovia, Wells Fargo, and other big firms. They flocked to seminars with titles such as "Legislative Review," milled about the exhibition hall picking up the usual conference swag, and buzzed at luncheons and a Carnegie Hall gala about the big push into the market being made by Cantor Fitzgerald, a major bond-trading shop. With all the happy banter, you wouldn't have known they were there to learn about new and imaginative ways to profit from people dying.

Death bond is shorthand for a gentler term the industry prefers: life settlement-backed security. Whatever the name, it's as macabre an investing concept as Wall Street has ever cooked up. Some 90 million Americans own life