# Structured Settlements:

## The Building Blocks to Financial Security


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STRUCTURED SETTLEMENT BROKERS

## Are All Structured Settlement Annuity Brokers the Same?

No. I have been placing annuities and U.S. Treasury securities for injured parties for more than 30 years. During that time, I have worked with clients during times of high inflation, stagflation and interest rate fluctuations. When I first opened my office, structures were dismissed by many as unnecessary and that plaintiffs should be left to invest their own money.

This experience has given me the perspective to provide the type of advice that is so necessary to someone who has been seriously injured and who must make their settlement last a lifetime.

# A Structured Settlement Means a Future Without Financial Worry for an Injured Party

### *Are Structured Settlements Safe?*

Yes. A typical structured settlement involves purchasing an annuity by the defendant from a highly rated life insurance company. The payments from the annuity are then distributed to the injured party based on a guaranteed, fixed annuity contract issued by the life insurer. State and federal solvency standards and regulations keep insurers from investing heavily in risky investments. Investments are typically high-quality investment-grade fixed corporate securities.

### *Can The Underlying Assets of the Structured Settlement be Diversified?*

Yes. U.S. Treasury obligations such as government-guaranteed T-bills are the solution for those injured parties looking to diversify their structured settlement portfolio while still receiving the same safety and double-tax-free advantages of an insurance-based annuity. T-bills typically have lower rates of return than an insurance annuity, do not compound and have no lifetime guarantee (since they have specific maturity dates). Still, they should be considered as part of a balanced settlement plan.

### *Can An Injured Party Still Receive Government Benefits After Agreeing to a Structured Settlement?*

Yes. Federal law permits a first party Special Needs Trust (SNT) to hold assets (such as structured settlements) of injured parties under age 65 while preserving their needs-based public benefits such as California's Medi-Cal. For individuals age 65 or over, a first party, nonprofit-based Pooled SNT is needed to overcome income-disqualifying hurdles. While Pooled SNTs can be used for an individual of any age, this is the only type of special needs trust available to people age 65 or older.

Much like the SNT used to preserve a plaintiff's eligibility for Medi-Cal, a Medicare Set Aside Arrangement (MSA) is used to preserve a plaintiff's future eligibility for Medicare. When the plaintiff is receiving (or soon will receive) both Medi-Cal and Medicare, an MSA is placed inside a Pooled SNT but must be professionally administered.

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## Can Non-Physical Injury Cases Be Structured?

Yes. Non-physical injury settlements are structured in a similar manner as physical injury case recoveries with the primary difference being that physical injury recoveries are tax-free while non-physical injury recoveries are partially or fully taxable over time. Taxes owed on the interest earned from the settlement proceeds can be deferred until settlement funds are actually withdrawn. Almost any type of non-physical injury settlement, no matter the size, can and is being structured. They include:

- *Emotional distress, sexual harassment*
- *Employment discrimination and wrongful termination*
- *Business disputes and partnership dissolutions*
- *Property damage*
- *Construction defect*
- *Errors & Omissions*
- *Long-term disability*
- *Punitive damages*
- *Mass torts*
- *Divorce*

## Can a Structured Payment Schedule Be Customized to Meet the Plaintiff's Needs?

Yes. Payment options are based on the plaintiff's needs--now and in the future. Payments can include an initial lump sum to cover immediate living or medical costs. In addition, payments may be established to pay for such major costs as continued medical care, future vehicle or housing expenses, college education and retirement.

## Can Attorney Fees be Structured?

## How Are Fees Taxed?

Attorney fee structures can be arranged for just about every qualified and non-qualified case--as long as the attorney fee agreement meets the insurance company's specific criteria. Cases that are billed and paid hourly do not qualify if an attorney is a cash basis taxpayer. Fees generated from injury cases, class action settlements, cases involving environmental claims, construction defect, age, sex and employment discrimination, property damage, fraud and other non-physical injury cases can all qualify for fee structuring. Structuring fees results in an annuity payable over time. If properly executed and documented, the income is not taxable until received.

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