Injuries and accidental deaths are traumatic and destabilizing. That’s why the federal government encourages use of a special benefit to guarantee financial peace of mind. It’s called a structured settlement and it can give those who are hurting a secure, tax-free income far into the future.

If a claimant’s primary source of income has been interrupted, he/she needs to secure a regular, guaranteed income again as soon as possible. Future expenses for many injury victims – including therapy, drugs, prosthetics, and items not covered or only partially covered by health insurance – cannot be postponed. For anyone who has lost a loved one, grief can lead to poor decision-making that in turn may jeopardize their financial independence.

Federal law recognizes that the injured may require special assistance in the aftermath of tragedy. Christopher Coyne, a finance professor at St. Joseph’s University and expert in post-accident financial planning notes, “Conventional investing logic doesn’t apply for plaintiffs in injury or wrongful death accidents. Guaranteed income is vital and very few certified financial planners have experience creating plans to meet this need.”

Is a structured settlement simply another investment? No. To qualify for tax-free benefit status, the terms of a structured settlement are actually crafted into the legal settlement itself. If the settlement is not finalized exactly this way, you lose the benefit. A structured settlement represents a one-time opportunity to secure a key element of your financial future on uniquely favorable tax terms.

The financial strategies pyramid is a respected way to plan your financial future. This pyramid shows how to create a diversified portfolio while still enjoying the special benefits of a structured settlement.
How safe are structured settlements?
They are backed by many of the strongest and highest-rated insurance companies in America. This is crucial because financial strategies for accident victims and dependents should be based on stable income from low-risk investments. Federal regulations require assigned structured settlements to be backed by life insurance annuities and government bonds. Moreover, the tax benefits effectively improve the overall financial return without added risk.

If my goal is stable income, why not buy bonds?
If you have a structured settlement, your payments are guaranteed, regardless of changes in the economy. But if you own bonds and interest rates drop, the bond issuer could pay off the bond early, which ends your payments. If you receive more for the bonds than you paid for them, you are subject to taxes on that gain, even if it’s a “tax-free” municipal bond. If interest rates rise, you can’t secure the higher rates without first taking a loss by selling your bond.

How do I determine what my structured settlement payments will be?
An experienced settlement consultant is trained to work with you to help you determine the best payment plan. Actual payment amounts depend on the sum of money available, the details of the accident and prevailing investment returns. The real value, however, is that this professional can design a payment stream that addresses your future needs, while also preserving your eligibility for additional valuable government benefits such as Medicare, Medicaid, supplemental security income, and private care programs based on Medicaid eligibility.

How should I compare the return on a structured settlement with returns from other investments?
Remember that taxes and fees can reduce many seemingly good returns. Let’s say your portfolio projections call for a 7 percent return over 10 years. If you have to pay 1.5 percent every year as a management fee and another 2 percent every year for taxes, you’re left with a “real” return of only 3.5 percent. Also, if the economy weakens, your long-term funding could fall behind and you may have to make riskier investments to catch up. As an additional plus, structured settlement payments are not subject to the Alternative Minimum Tax.

"Structured settlements are an effective means to provide long-term financial security....The result will be a guaranteed payment stream tailored to each client’s specific future needs, including medical and basic living expenses. That’s why structured settlements are an excellent foundation for effective financial planning."

Philip Corboy
Plaintiff Attorney and Former Chairman, American Bar Association Committee on Medical Professional Liability

"When I was 16, a gun accident during a police training session left me paralyzed. Rather than take a cash settlement, I chose a structured settlement. I am one of those people whose life needed to be put back together after an accident. A structured settlement helped me do it."

The Honorable James Langevin
Member of Congress, Structured Settlement Recipient

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