



WHAT YOU NEED TO KNOW ABOUT SELLING YOUR CLIENT'S STRUCTURED SETTLEMENT ANNUITY PAYMENTS

BACKGROUND

The use of structured settlements has risen dramatically over the past twenty years. A fixed rate structured settlement annuity is now often purchased to fund the settlement of a personal injury lawsuit. In a typical settlement, the tortfeasor's insurer and the claimant reach a settlement which provides for the claimant to receive periodic payments over a period of time. The annuity is usually purchased by an assignee of the insurer and names the claimant as the payee. Previously, claimants were presented only with the option of an immediate cash settlement, which created significant tax related burdens, and did not always address the long term needs of the plaintiff.

Although these structured settlements typically satisfy the needs of claimants, the most significant downside for a claimant with a structured settlement is the inherent inflexibility of the payment stream. In ways unforeseen at the settlement table, the claimant's financial needs often change over time resulting in a demand for liquidity options. As a result of this demand and starting in the early 1990s, a few small specialty finance companies started meeting post settlement liquidity demands by offering new flexibility for structured settlement payees through a lump sum cash payment to the claimant in return for some or all of the rights to the claimant's structured settlement annuity payments.

TOP REASONS YOUR CLIENT MAY WANT TO SELL STRUCTURED SETTLEMENT ANNUITY PAYMENTS

- Purchase a new home
- Children's college tuition
- Unforeseen medical expenses
- Start a new business
- Save home from foreclosure
- High debt
- Child support arrears
- Tax liens



KEY ITEMS TO CONSIDER WHEN DECIDING TO SELL STRUCTURED SETTLEMENT ANNUITY PAYMENTS

- Does your client rely upon all or some of the settlement payment for his or her daily living expenses? If your client is using monthly payments to pay rent and buy food, then he or she should probably not be advised to sell those payments.
- Does your client have the ability to work? If your client is unable to work, then he or she should probably not be advised to sell any portion of his or her payments that are relied upon for daily living expenses.
- Is there an urgent need for cash? If your client has a problem with spending too much and does not have a real need for a transaction, then he or she should not be advised to sell any portion of his or her payments.
- Does your client have any other options to raise money that are more attractive? If your client has the ability to obtain a home equity loan, then he or she should probably take advantage of more conventional methods of obtaining cash.

PROCESS TO SELL STRUCTURED SETTLEMENT ANNUITY PAYMENTS

In order for a claimant to sell some or all of his or her future payments for a lump sum of money, a court must review the proposed transaction and determine that it is in the best interests of the claimant. The purchaser must make various statutory disclosures to the claimants and must advise the claimants to seek independent professional advice. In certain states, the receipt of such advice is mandatory.

It typically takes 45 days or more to complete a purchase and sale transaction from the time of agreement to purchase structured settlement payment rights. The purchaser must initiate an action in court under which a judge must determine that the transaction is in the best interests of the claimant and that the purchaser has complied with the applicable transfer act(s). Notice of the action must be provided to all interested parties, who are allowed a chance to appear and object.

WHAT TO CONSIDER WHEN NEGOTIATING THE SALE OF STRUCTURED SETTLEMENT ANNUITY PAYMENTS

- Are there any hidden costs to your client? Many purchasers deduct their legal fees and other costs from your client's purchase price and try to hide that cost from your client for as long as possible.



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- Are the terms of the transaction fair? The most important factor to consider is generally the discount rate. The discount rate is used in lieu of an interest rate when a sale is negotiated and not a loan. The lower the discount rate, the more money in the seller's pockets. Factors that affect discount rates:
 - Size of the transaction
 - Rating of the payor (Are the payments due from a highly rated insurance company?)
 - Term (How long until the final payment being sold becomes due?)
- Has your client been presented with multiple options? Many purchasers pressure claimants to sell all of their payments. The sale process should include an evaluation of your client's needs and an attempt to structure a sale to best satisfy those needs without simply trying to raise as much cash as possible for your client. For some, selling all of their payments is the best option. However, for most claimants who are in need of cash, the best option is to determine how much cash is truly needed and which payments should be liquidated for that purpose.
- What is the reputation of the purchaser? You probably do not want to do business with companies that have long histories of complaints. In particular, some companies engage in the following practices which should not be tolerated:
 - Long inexplicable delays between the entry of an order approving the sale and the payment of the purchase price to the claimant
 - Locking claimants into future sales exclusively with the same company
 - Penalties for cancellation in contravention of applicable law



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Founded in 1995, Singer Asset Finance Company, L.L.C. (“Singer”) is an industry pioneer and a national leader in converting structured settlements, lottery winnings and annuities into lump sums. Since Singer’s inception, we have purchased nearly \$1 billion in future payment streams.

Singer is always willing to provide free appraisals without any obligation. When permitted, Singer is also happy to pay referral fees. If you have any questions, please feel free to contact Singer at (800) 670-6777 or sales@singerasset.com. You can also find additional information about Singer at www.singerasset.com.