
THE STRUCTURED SETTLEMENT REPORT

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Summit Settlement Services, Inc.

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Structures – Are They Still A Good Investment?

Given the state of the economy, are structured settlements still a good investment? The answer is undeniably “Yes.”

The stock market continues to decline. Investors are moving towards cash and government securities, thus driving down Treasury yields. Annuity carriers invest heavily in long and short term Bonds and consequently have been forced to raise their annuity premiums in order to meet their future periodic payment obligations. Structured settlement annuities are now costing more and/or paying less.

Let’s put this into perspective. Yes, annuity yields are now lower, BUT we are still obtaining tax-free internal investment rates of returns of 6 to 7%.

Even the most seasoned investor would be hard pressed to obtain an after-tax yield of 6-7%. An individual investor in a 36% tax bracket would have to earn 10.9% in a taxable investment in order to equal the structure’s 7% yield. If the investor resides in California and has a State Tax rate of 9%,

he would have to obtain 11.8% return on his investment in order to meet that same after-tax 7% yield. Is there a reasonably safe market where an investor can be guaranteed a return of between 10.9% and 11.8%? Not to my knowledge.

Stockbrokers, family and friends can idealize by making hypothetical projections of how the settlement proceeds can grow, but remember that they are not the ones to suffer when the money is spent down and the injured victim is left penniless. It is always prudent to ask yourself “What is his/her angle? What’s in it for them?”

The stockbroker makes a commission; the family and friends may want the injured victim to invest in their business or support them in one way or another. The truth is that the injury victim is receiving a once-in-a-lifetime recovery for his physical injuries. These funds must be invested in a sensible, guaranteed, stream of income to support his needs over his lifetime, i.e., future medical expenses, and loss of earnings.

Structured settlements provide a steady stream of guaranteed payments for the life of the injured victim. No other investment guarantees that the payments will not be outlived.

Structures continue to be a “Best Choice” for settling physical injury claims for the same old sound reasons:

- ability to receive lifetime guaranteed income (payments cannot be outlived)
- scheduled guaranteed payments in the future as needed
- tax-exempt income
- protection against dissipation of settlement proceeds
- safe and secure method of payment from a highly rated life insurance company

The flight to safety continues. Structured settlement annuities remain the safe, secure, investment for injury victims.

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