

Structured Settlements

Periodic Payments of Tax-free Income

A structured settlement provides a long-term, steady stream of tax-free income. It is a unique settlement method that has proven to be a premium solution when seeking to secure the benefits of personal injury, wrongful death, or workers' compensation claims/torts.

Offering plaintiffs more options to plan for financial success

Historically, personal injury lawsuits have paid damages as single lump sums. Though receipt of a single lump sum may provide temporary financial relief, additional burden for the plaintiff is inevitable. The demands required to manage large sums of money can be overwhelming.

Additionally, for those receiving income-based benefits, receipt of a lump sum may result in loss of Medicaid, Supplemental Security Income (SSI), or other means-tested government programs.

Congress recognized the need to protect injured plaintiffs from these risks and passed legislation to amend the Federal Tax Code, resulting in The Periodic Payment Settlement Act of 1982 (Public Law 97-473). This act formally recognizes and encourages the use of structured settlement payments in physical injury cases.

How Structured Settlements Work

A structured settlement is a financial solution that allows an injured party a means of deferring part, or all, of the settlement. Proceeds are distributed on a schedule determined by the plaintiff, as opposed to all at once. A settlement planning expert works with the plaintiff's attorney and the injured party to review long-term medical, living, and family-related expenses. Upon assessment of financial needs and goals, an agreement of recovery for the structured settlement is established by the injured party and funded by the defendant.

The structured settlement is then placed with a third-party company to fund the payments. Based on the payment schedule determined by the plaintiff, the company provides a series of tax-free payments established over a period of time.

Advantages of a Structured Settlement

Freedom

From the time and emotional burden associated with investigating, assessing, and selecting investment strategies.

Flexibility

In the amount you receive and the timing and frequency at which you receive it.

Assurance

That your structured payments are exempt from federal and state income taxes.

Contentment

In knowing that you have a steady stream of income.