



Planning Brief: Money Management

Are structured settlements appropriate only for those who are not good at managing money? No. While structured settlements help protect against spending too much too soon, they are at the same time a sophisticated financial tool. One that's not available to the general public.

Financial products follow a pattern. In order to receive a greater reward (higher return), an investor usually must take on greater risk (increased volatility, increased chance of loss or principal). Structured settlements are an exception.

Structured settlement rates compare favorably to other conservative financial instruments. Because they are also tax-free, the effective rate is higher than on similar taxable alternatives (like certificates of deposit and government bonds). How much higher depends on a person's marginal tax-bracket. Often the more sophisticated an investor, the greater the tax benefit.

Structured settlements are designed both to allow funds to grow and to distribute those funds when the time is right. For some individuals, the right answer may be to use a two-pronged approach. Guarantee the really important items – like income and specific future needs. Invest the surplus in more aggressive and appreciable financial instruments.

To summarize: structured settlements are an infinitely customizable financial tool which allows for the planned distribution of funds without income taxation and with returns that are generally comparable or better than similar conservative financial instruments. Easy. Sophisticated. It's a little like having your cake and eating it too.

Things to keep in mind...

285 million strangers: That's where your money is going to when you pay taxes that you can legally avoid. Unless 100% of your settlement is going to be invested in higher risk investments, a structured settlement makes sense for at least SOME of the money.

Reality check: Everyone is prone to make some mistakes, especially over long periods of time. Even if you are experienced in managing larger sums of money, there is some wisdom in pacing yourself. A structured settlement is like a timed-release medication, it gives you the right amount at the right time. Don't OD on too much too soon.

