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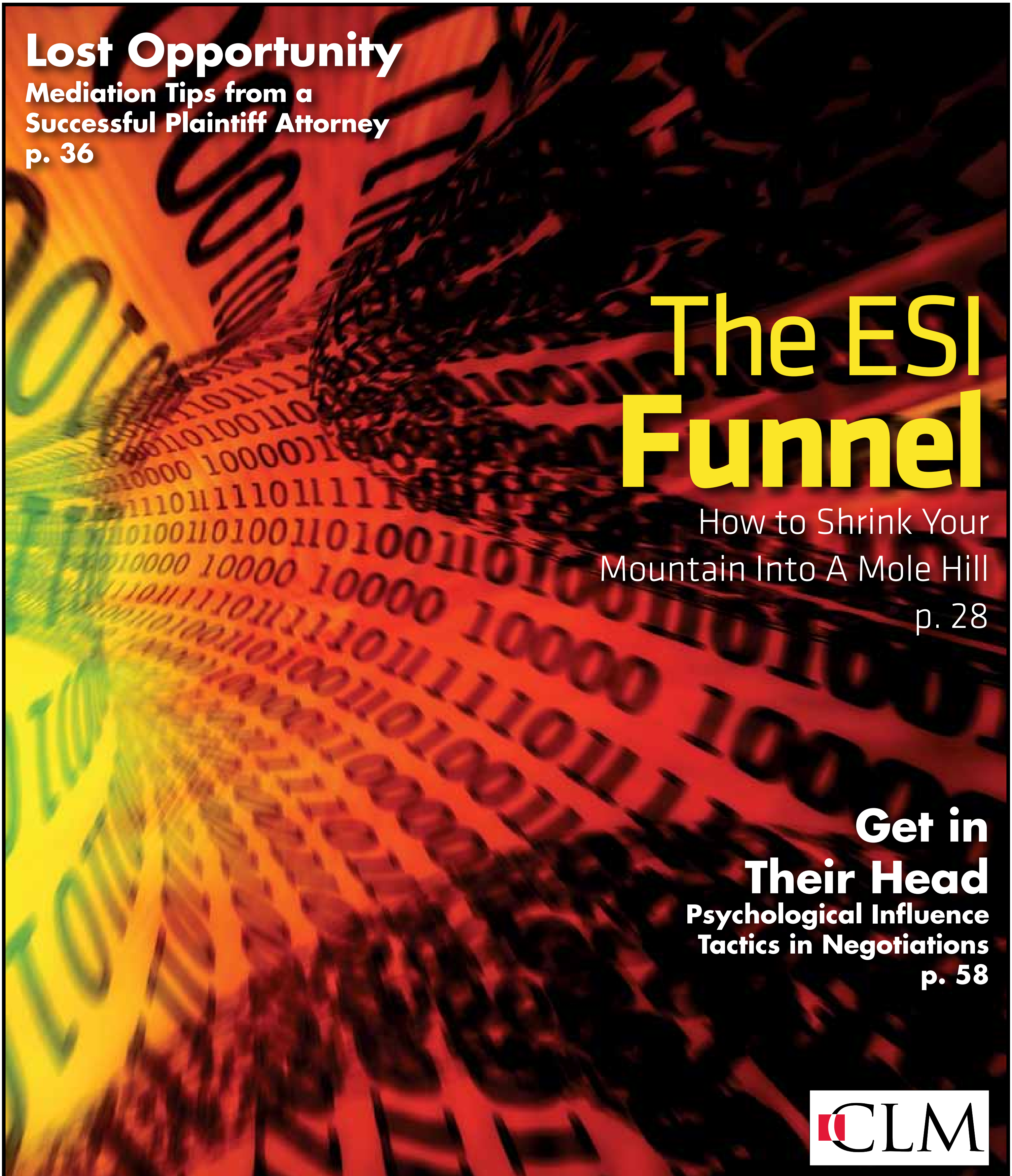

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The Psychology of **Settlement**

Unique Investors in a Rocky Economy

By Bill Wakelee and Christopher Coyne

Since 2008, Americans have endured a financial meltdown, massive layoffs, the real estate bust, stubbornly high unemployment and wild swings on Wall Street. These unsettling economic times have taken a toll on the peoples' psyches, but there's one segment of the American population that is especially vulnerable to volatility — the victims of catastrophic personal injury. We call them unique investors.

They are unique investors because they are living with injuries that are sometimes life-altering. They depend upon a steady stream of income to replace lost wages so they can pay for food, clothing and shelter, and to afford a lifetime of medical expenses as well as the many additional costs associated with severe injuries. They need a means of financial support that does not rise and fall with the whims of Wall Street. These are unique investors who need a plan that begins with the long-term stability of a structured settlement.

A Lesson Learned Too Late

During the financial meltdown of 2008, a unique investor, a structured settlement client, called in a panic. The stock market was suffering staggering losses. Wall Street giants were collapsing. Uncertainty overwhelmed the financial world. This client was petrified about losing his only source of income, an annuity that was part of a structured settlement.

A few years earlier, this client had been severely injured after a crane mooring snapped and dropped the crates he was unloading on top of him. He was a 45-year-old with a wife, two children and a mortgage. He also had huge medical bills, no steady income and the psychological burden of how to take care of his family. It was highly unlikely that he would ever go back to work. His case involved a lengthy court battle, and during settlement discussions, he was having a very difficult time deciding whether to hand over some amount to a recommended financial planner, or to put it into a structured settlement. Then his case finally settled leaving him with about $1 million after fees and costs.

Remember, this client, as most who receive a large sum award in litigation, doesn't have experience in financial planning and he had not planned on "retiring" from work at the age of 45. He is undergoing a major shift in psyche as well as having to deal with his physical injuries. He instructed his attorney to give half to a financial planner to invest. He wanted the other $500,000 to be put into the structured settlement that was recommended. It included an annuity with monthly "lost wage" payments for life, future lump sums for reinvestment and cost-of-living increases, and two college funds for his children.

During that anxious phone call in 2008, he wanted to make sure there was no interruption in his monthly payments. He was reassured that his monthly annuity payments from the structured settlement were secure, even during this crisis. He still had a steady income. He could continue to pay his bills. His basic needs would be met. He was relieved and thankful that his structured settlement payments were not in jeopardy.

He also had a regret that he wanted to share. Much of the money that had gone to the financial planner was gone, partly because of foolish spending, and partly due to some risky and untimely investments. He needed additional medical care and more surgery, but he was not sure how he was going to pay for these procedures. Before saying goodbye he said, "I wish I had put more into the annuity."

Play It Safe

While this is a single example, it is not an individual or unusual event. It highlights the numerous uncertainties faced by the unique investors for which they are totally unprepared. After the personal injury case is settled, the negotiations end and the lump sum is awarded, some big questions remain. Should I take a risk and use this settlement to accumulate wealth? Should I play it safe and preserve the money that I have? For victims of severe personal injury, the answer should be clear. Play it safe. One of the reasons for this safe choice is because the usual alternatives available to workers to earn additional income no longer exist. The large payout is the substitute for the lifetime earnings this individual no longer can earn.

Unique investors need a means of financial support that does not rise and fall with the whims of Wall Street.

This is an incredibly stressful time. Victims are learning to live with catastrophic injuries. These unique investors are forced to make tough monetary decisions, often with no financial background. Even if a financial advisor is involved, few have experience dealing with these particular types of circumstances.

Personal injury victims need to realize their financial planning for the future has changed completely. Before their injury, it was all about the accumulation of wealth for retirement, for a beautiful vacation home, for traveling the world. Now it is all about preservation of capital to live. They also need to understand this is not a lottery windfall. This is money earmarked for specific needs, and unanticipated events like the additional medical procedures. The settlement has to take care of these folks and their families for a lifetime. Preservation is crucial, especially in uncertain economic times. Losing nearly half of the value of your portfolio is a loss no injured party can afford because they can't make it up.

These are the clients who should not risk losing a guaranteed and steady stream of income needed for a lifetime of needs by taking the lump sum, making uneducated decisions regarding investments and ending up with nothing but insecurity. Unique investors should always take the safe route and make sure they are matching their well-defined future needs to a secure structured settlement. LM

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