

Overcoming Objections to Structured Settlements



(10) ***“I can’t tell how much this proposal costs.”***

- Many years ago it was thought that if the claimant knew the cost of the structure it would constitute “constructive receipt” and therefore void the tax-free nature of the settlement. It is clear that such knowledge and participation in the settlement design by the claimant does not void its tax-free status. All costs, guarantees, and expected payouts are clearly shown on all proposals.

(9) ***“You’re on the other side; this can’t possibly be good for me.”***

- The structure broker assists in settlement discussion to help bridge the gap in negotiations, and to use the structured settlement concept to help match future needs with future guaranteed income.
- Structured settlement annuities are placed with a very select group of highly rated and regulated life insurance carriers, some of which have been in business for over 150 years.

(8) ***“My Client is too old for a structure.”***

- Structured settlements are individually designed and therefore work for claimants of any age.
- Seniors are already typically living on a fixed-income. It is a natural fit to add guaranteed structure payments to Social Security, pension, and other retirement funds already being used.
- If properly designed, structures can eliminate the fear of outliving your retirement savings.

(7) ***“Structures are too complicated.”***

- Once we have some basic claim data, and some general information about the claimant, we can very quickly and easily generate multiple customized proposals for any type of case or situation.
- When presented by a structured settlement professional, these designs can show the claimant several alternatives to all-cash that will stretch settlement dollars, and provide long-term security.
- We can also generate draft settlement documents for the parties to review once the case is settled.

(6) ***“We want to talk cash first, and then we’ll see about the structure.”***

- As we stated in #10, all costs and benefits of the structure are disclosed in all proposal designs.
- The whole purpose of a structure is to match future expenses and needs with guaranteed future income. This can easily be done while still discussing the specific cash needs of the parties.
- Each structure benefit line shows the cost, the guarantee, and the expected payouts – so there is significant benefit to all parties to negotiate using this valuable planning analysis.

(5) ***“There’s not enough money to structure.”***

- There are certainly cases where there is not enough money to address future needs via structure.
- However, our average case size is under \$100,000.00 so that means that we structure a very large amount of small cases where there is limited money available in the settlement process.
- Sometimes a small portion can be set-aside in a structure for a specific purpose like a future surgery, a small college fund, or to replace monies taken out of a 401K or pension fund.

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(4) ***“My client can do better investing on his own.”***

- Personal Injury Victims are what we call “Unique Investors” meaning that they cannot afford any risk with their settlement funds that they often need to last for the rest of their lives.
- The settlement funds should not be used to chase interest rates, take risks on uncertain investments, play around with the money in a very volatile marketplace, or gamble on the early dissipation of the funds that are needed to pay their bills.
- The key here is “the preservation of capital” NOT “the accumulation of wealth”.

(3) ***“I already have a financial planner.”***

- This is not a bad thing by any means. The key here is to work with their financial planner to make sure that they understand structures, how they work, and are clear on the tax-codes surrounding it.
- We almost never recommend putting all of the settlement funds into a structure, or any one investment. Collaboration between the broker and the planner is the key to a sound future.
- Remember #4 above – claimants cannot afford any risk with their settlement funds.

(2) ***“I need the cash.”***

- The whole point of a structure is matching future needs with future payments.
- Most claimants overestimate how much cash they need right away. In many cases taking cash leads to the dissipation of the funds prematurely, especially for not injury related items.
- Find out what they need the cash for? Often we can annuitize those needs with a structure, or at least clarify how much cash they need, vs. how much we can use to structure their future expenses.

(1) ***“Interest rates are too low.”***

- Compared to what? For the past 200 years interest rates have been below 7% over 89% of the time.
- Since structures are tax-free, you are getting a higher rate of return than on other fully taxable investments. Structure rates are also guaranteed, they don’t fluctuate with the markets.
- Remember again #4 above, claimant should not chase rates with settlement funds. This usually leads to the premature dissipation of monies that are often needed for a lifetime.
- Claimants should not be worrying about fluctuating rates and market volatility. This money needs to be guaranteed, locked-up, and matched with their current and future financial needs.

Remember some basic Benefits to the Claimant:

- Guaranteed Tax-Free income and future payments.
- Stretches settlement funds by using the time value of money.
- Creates a flexible and custom settlement proposal design.
- Eliminates investment risk and the rise and fall of the marketplace.
- Reduces the risk of the premature dissipation of the settlement funds.

If there is an objection you cannot answer or are unsure of – call us!!!

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