INSIGHT SEGMENT 5

Q Welcome back to INsight. We're here in the Sweeney Studios. I am with Dave Farnbauch, from Sweeney Law Firm, Mike Herald from the Prestwick Group. We're talking about settlement funds with

structured settlement annuities.

MR. FARNBAUCH: Correct.

Q That's a mouthful and I need to know exactly what those are, so tell me that first.

MR. FARNBAUCH: All right. Well, Charity, structured settlement annuities have been around for quite some time, and what they're designed to do, it's kind of a provision in the Tax Code, that allows recipients who receive personal injury settlement funds to, in essence, protect people from themselves. It gives people a special tax advantage that if they put their settlement proceeds into an annuity that is scheduled to pay out at different times, and they can set it up any way they want, then the proceeds in a structured settlement annuity are not taxed, whereas in a regular settlement, if you receive a personal injury settlement and you put it in a bank account or a CD or you invest it in the stock market and it starts earning interest, you pay tax on the interest. In a structured settlement annuity, the money is sitting in an annuity, tax free.

Q It makes sense that that would be helpful.

MR. FARNBAUCH: Right.

Q So if somebody has received a settlement

and they want to do this, what, how do you start that process? What's that look like?

MR. HERALD: Well, the process is started by first, we get a phone call from the defendant or the insurance company that says they've settled a claim. They say go ahead and contact the claimant or the plaintiff attorney, which we do. We contact that attorney and he usually sets up a meeting with his client. We sit down with the client and we go over specific needs, depending on, you know, obviously, the client's age, the type of injury, numerous plans can be set up. For instance, if it's a minor, you can set up a periodic payment plan, where a college fund is set up --

Q Uh-huh.

MR. HERALD: -- you can defer the payments out and they would get, you know, a lump sum for a four- or five-year period for college, then you could set up a life annuity, where they'd get paid a monthly amount for the rest of their life. Depending on their age, it could be an older person that maybe doesn't want to put money into the stock market.

Q Sure.

MR. HERALD: They're in protection mode instead of growth mode, and we can defer it out to when they're maybe, you know, 60, 50, 60 years old and give them a monthly payment for, you know, 20 years or so.

Q Are these common in medical malpractice cases?

MR. FARNBAUCH: They are. The reason, there's two reasons for that, Charity. First of all, we try to, with some of our clients, because we know, the research shows that people that receive personal injury funds, settlements, they tend to blow money. That's just a statistical fact. Just like people who win the lottery.

Q Sure.

MR. FARNBAUCH: So we try to steer some of our clients into these products to protect themselves from just spending all the money they get in a case. In, in Indiana, in our medical malpractice system, we commonly utilize structured settlement annuities because the law requires us to produce a certain amount of up-front settlement in order to access the Indiana Patient's Compensation Fund, so, frequently, when we settle a malpractice claim, we call Mike's firm, his company, to meet with our clients to show them structured settlement annuities that will pay out money over time, so that we can access the Patient's Compensation Fund.

Q And what's the typical rate of return on a structured annuity?

MR. HERALD: On a structured settlement, it's going to be anywhere between three and four percent, depending on the interest rates, but it is a great protection plan, like Dave mentioned, from personal spending habits, your own spending habits, especially maybe family or friends. You've come into a lot of money and you're going to have people --

Q Absolutely.

MR. HERALD: -- approach you looking for that money. This is a great way to protect it. It's guaranteed through the purchase of the annuity and it's tax free.

Q Absolutely. And you need it to, you need to be safe. You need protection from yourself and from those around you because it is a lot of money. So if you need more information on this, if you have what you may think is a medical malpractice case, all you have to do is give Sweeney Law Firm a call today or check them out online, sweeneylawfirm.com.