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STRUCTURED SETTLEMENTS

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Financial Comparisons

Select a different option from the menu below to see how it compares to a Structured Settlement:

Select a different investment option

Structured Settlements versus CDs

Issue / Concern	Structured Settlement	CDs
What types of securities/insurance products support the payments?	A fixed annuity contract issued by a life insurance company.	A debt instrument issued by a bank. Maturity options range from a few weeks to several years.
Can this option provide a stable, lifetime income?	Yes. Payments and distribution schedule are determined up front. Can provide a dependable, predictable income stream that you cannot outlive.	No. Pays a fixed rate of interest that accumulates in the account for the duration of the CD. Relatively low returns and penalties for early withdrawals make CDs inefficient for providing an adequate income stream.
Is there a guarantee with this option?	Yes. The annuity issuer guarantees payments, according to the terms of the structured settlement agreement.	Yes. The Federal Deposit Insurance Corporation (FDIC) insures CD deposits (up to $100,000). The issuing bank guarantees amounts over $100,000.
What are the costs and fees associated with this option?	No additional cost to annuitant.	No commissions apply, although there is a penalty for early withdrawal of funds.
Will this option keep pace with inflation?	A cost-of-living adjustment (COLA) feature is available that can help offset the effects of inflation. This option must be elected when the settlement is designed.	Unlikely, since CDs are considered a low-risk/low-yield investment.
What are the tax consequences?	Income provided by a qualified structured settlement is TAX-FREE, provided the damages received as periodic income (other than punitive damages) are the result of personal physical injuries or physical illness.	Earnings are fully taxable.
Is this option affected by market fluctuations?	No. Benefit payments are determined and fixed at the time the annuity contract is issued.	Yield will depend on interest rates, which are determined by competitive forces in the market. These tend to be short-term investments that may actually produce a lower income if interest rates decline.

Can I make changes to this option after I select it?	No. The payment amount and schedule are fixed and may not be changed or accelerated.	Although it is possible to withdraw assets prior to maturity, there generally is a penalty for early withdrawal.

Information provided courtesy of The Hartford.

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