



PAUL AND ASSOCIATES

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What are the costs associated with a structured settlement?

Structured settlement annuities actually have very few costs. Many investment products have on-going monthly or annual charges such as Investment Management fees, 12b-1 fees (on-going commissions) and Annual Maintenance fees. Not so with a structured settlement. There are no on-going charges at all.

There are three types of one-time charges involved with structured settlements, an Assignment Fee, a Policy Fee and Broker Commissions. Assignment fees range from \$0 to \$750. It is an administrative charge that covers the life company's cost for transferring the annuity to the Assignment Company.

The policy fees range from \$0 to \$500. Some life companies refer to the policy fee as a "small case fee." This fee is generally only charged in cases where the total premium is under \$25,000.

When dealing with smaller cases, Paul & Associates will always look to life companies with the lowest assignment fees and policy fees first because these fees can impact the annuity payments. It is not unusual; however, to find that a life company charging both fees also has the best payment stream and the amount of the payments, after all, is the most critical consideration.

Broker commissions are how we at Paul & Associates earn our income. Life companies pay us a fixed, non-negotiable percentage of the total premium. With most companies this does not include the assignment fee and/or the policy fee. This percentage is the same with all companies so we have no conflict of interest in choosing among life companies. Our primary consideration is finding the soundest company with highest payment stream for the annuitant.

The life companies recoup the commission expense and make their profit from "the spread" between the interest income they receive when they invest the premium dollars and what they are paying on the annuity. For example, they might invest the premium at a fixed rate of 5.65% and credit the annuity with 5.50%. The .15% is the revenue source for the life company. This is exactly the same way banks make money.

The fact is that, any time you receive a quote from Paul & Associates, all of these charges have already been factored into the total cost. As was mentioned, there are no hidden charges or ongoing, recurring fee, the exact total cost of the annuity and the exact benefits to be paid out are fully disclosed prior to the time a decision to invest is made.

In summary, it is fair to say that structured annuities are very possibly the simplest, most transparent and most cost effective "packaged" investment in existence.

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