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Having a large injury case settle is always an exciting and invigorating time. You have done a great job for your clients and helped them secure their financial future. At a time like this it is common to focus on your success in the lengthy process and what this will mean for your clients. Your reward is not only the satisfaction of a job well done for someone who truly needed your help, but also your participation in the settlement.

In the excitement, it can be easy to lose sight of the particulars of your own, or your firm's financial situation and the impact a substantial fee might have on it. A large lump sum can give you the flexibility to put in place many different strategies that could have long-term benefits for your personal finances and/or the finances of your firm if you have tools available to execute your plan.

Structured settlements are not only an excellent tool for guaranteeing the future finances of injury victims, but they also can play a huge role in doing the same thing for you. One of the clear advantages of structuring fees***** is that your money is safe and the payments are guaranteed. Only the largest and most financially secure life insurance companies in the United States and the world offer structured settlement annuities. Historically, the safety of life insurance investments has been second only to securities issued by the U.S. Treasury.

But there are also other features of fee structures that provide meaningful benefits, below are a few of those.

(For more detailed information on structuring attorney fees
please see the links at the bottom of this article.)

1. Tax Deferral

The great news about receiving a large fee is that you got it. The bad news is that you owe federal and state income taxes on that money. Generally, a large fee will vault you into the highest federal and state tax brackets (even if you weren't already there) and you will be paying about 40% or more (depending on your state) of the fee in taxes.******

Putting all or part of the fee into a structured settlement defers the taxes until you receive the payments from the structure. This not only puts you in control of when you pay the taxes, but it also means that the money you would have paid in taxes is earning you more money. This puts a whole new meaning to the phrase, "Your tax dollars at work!"

Additionally, if the payments from a fee structure are spread out over time, it may be possible that you are able to keep yourself under the top tax bracket. In that case you would end up reducing the overall tax impact and allow yourself to keep a greater portion of the fee than you otherwise might have.

2. Income Stabilization

Typically, the amount of preparation required for injury cases leaves time for little else. Physical injury specialists, by the nature of their specialty, generally do not have the time to practice other kinds of law that would create a more predictable income stream. Consequently, they find themselves in a position where their income can fluctuate wildly from year to year or even from quarter to quarter.

A fee structure can "smooth out" that financial volatility. Structures can be set up to pay you in almost every imaginable interval. If, for example, you want to ensure that your monthly fixed expenses will be regularly met, a structure will pay you monthly. Let's say that you want to begin each year with a large sum to meet contingencies; a structure will pay you annually in January.

The point is that, with a structure, you can tailor the timing of the payments to coincide with when you think you will need them. And remember, the payments are guaranteed to be there on time. There will be no gnashing of teeth, wringing of hands or calls to bankers or brokers to make sure you will have the funds you need available to you. You will have the peace of mind to be able to concentrate on what you do best.

3. Retirement Benefits

Everyone dreams of retirement at some point in time. The chances are good that you have been diligently contributing to a 401(k) plan or some other kind of "qualified" pre-tax retirement plan as well as setting other after tax money away to secure your retirement. This is clearly a good idea.

The problem with most qualified retirement savings plans is that there are many requirements and restrictions. You are, for example, limited to the amount of your contribution or you have a required minimum contribution. Depending upon the type of plan, you likely have to make contributions for any full time employees. Because these plans are regulated they have annual reporting requirements for which you are, most likely, paying a fee to have someone else do. There are also, usually, other fees and charges associated with most qualified retirement plans.

A fee structure can be designed to start paying you income at any age that you think might coincide with when you want to retire. A structure has no contribution limits or requirements for employee contributions. They have no reporting requirements, no annual fees, no management charges and no transaction commissions. In fact they have no ongoing charges at all. They can pay you for a fixed number of years or they can pay you for the rest of your life.

In the real world, however, do many attorneys actually retire? Take down the "shingle" and let their license lapse? Not many do. Most attorneys keep their license active, go to meetings for CLEs, continue to subscribe to professional publications and, at least, "dabble" in their profession. In other words they continue to have ongoing practice expenses for nearly their entire lives. Fee structure payments are considered practice income and practice expenses (even in semi-retirement) may be able to be deducted against this income.

4. Associate Retention

It can be a huge benefit to have a young, up and coming associate in your practice. A bright, energetic, young woman or man, who you have groomed and who promises to become the next Joe Jamail. That is, of course, until you settle a large case that she or he participated in and, when they get their share of the fee, they set up shop as your competition.

A fee structure can be used as a quasi-deferred compensation program for your most promising associates. (You, obviously, have to have an agreement in place outlining the terms and conditions of payment before a case or cases settle.) A substantial future lump sum or other periodic payments can provide powerful motivation for that future star to stay with you.

At Paul and Associates, we see fee structures as an exciting and unique opportunity for attorneys. They are a tool that can put you in command of when and how much you get paid. They can also assist you in planning for and managing future financial contingencies. They provide these benefits with rock solid guarantees and without either on going fees or the uncertainties of stock and bond market investments.

We would enjoy the chance to provide you with a free illustration of how a fee structure could benefit you. You can reach us either at 1-800-475-4751, 303-438-1200 (in the Denver Metro area) or by emailing amy@paulstructures.com. We look forward to hearing from you!

*****See *Childs v. Commissioner* [103 T.C. 36 aff'd 11th Circuit, No. 95-8762

******Paul and Associates does not give tax advice. Please consult your own tax advisor with regard to the impact a fee structure will have on your firm and/or personal tax situation.

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