

Structured Settlement vs. Other Investments: A Side-By-Side Comparison

Issue/Concern	Structured Settlement	Equity Mutual Fund	Municipal Bonds	Bank Trust	US Treasury Securities	Certificate of Deposit
What types of securities/insurance products support the payments?	A fixed annuity contract issued by a life insurance company. Assets are invested in the insurance company's general account.	An investment company operates the fund, pooling the assets of many investors and investing in equity securities.	Debt instruments issued by state or local government entity to finance capital expenditures.	For cases involving incompetent individuals, minors or serious injuries, investments may be restricted to federally insured products (i.e., Certificates of Deposit). For other cases, any investment may be used – fixed income, stocks, bonds, and mutual funds. These securities are not F.D.I.C.-insured.	A debt instrument issued by the US government and sold as securities to investors.	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.	Historically, equities have shown the greatest potential for long-term growth. But they also entail a higher degree of investment risk, which means they may not be a reliable source for ongoing income needs. Earnings may stop altogether if fund performs poorly.	Since the coupon-or rate of payment-of the bonds is known in advance, investors may have a reliable income stream (see guarantee section below). Bond must be held to maturity to receive the face value, or par amount, of the bond.	Any income or return will depend on the type and performance of the underlying investments.	Yes. Available with a wide range of maturities, Treasuries offer predictable income and repayment of principal in full if held to maturity.	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. Payments are guaranteed by the annuity issuer, according to the terms of the structured settlement agreement.	No. Share prices and returns will fluctuate with investment performance.	Interest is guaranteed only for the initial investment period. If interest rates fall, fixed maturity dates may force investors to reinvest principal and any accrued interest at a time when interest rates are low, shrinking their income. Municipal bonds may have a "call" feature, allowing them to be redeemed prior to the stated maturity date. Bonds are usually called early when interest rates have fallen, effectively refunding investor principal at a time when reinvestment options reflect lower rates.	Federal Deposit Insurance Corporation (FDIC) insures up to \$100,000 on Treasuries and C.D.'s. Any other investments are not guaranteed.	Considered among the safest of all investments because payment of interest and principal at maturity is guaranteed by the full faith and credit of the US Government.	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 cost to annuitant.	Management and expense fees cover the costs of managing the fund and are deducted from returns. Fund may also charge a front-or back-end "load" (i.e., sales charge), redemption fees (paid by investors when they "redeem," or sell shares) and 12b-1 charges.	Issued at face value.	Bank management fee of 0.50-2.00% of asset value per year, every year. Transaction processing costs for securities purchases. Management fees from the various securities in which the Trust invests (i.e. 12(b) 1 fees on mutual funds).	T-bills are issued at a discount from face value. Treasury issues may be purchased directly (the primary market) or via outstanding issues sold prior to maturity by other investors through a broker (the secondary market). If purchased via the secondary market, brokerage fees will apply.	No commissions apply, although there is a penalty for early withdrawal of funds.
Will this option keep pace with inflation?	Yes, with Cost-of-Living-Adjustment (COLA) feature.	Designed for long-term growth. Historically, a good choice for keeping up with inflation. Total return will depend on the performance of underlying securities. Past performance is not an indicator of future results.	Does not provide a hedge against inflation.	It depends on the performance of the underlying securities.	Does not provide a hedge against inflation.	Unlikely, since CDs are considered a low-risk/low-yield investment.
What are the tax consequences?	Income provided by the fixed annuity is TAX-FREE, provided the damages received as periodic income (other than punitive damages) are the result of personal physical injuries or physical illness.	Taxes must be paid as income is earned and distributed. Capital gains or losses from sales of mutual fund shares have additional tax consequences.	Generally, interest is exempt from federal income tax. May also be exempt from state and local taxes in state of issue.	All income generated is fully taxable (except some income from tax-free Municipal Bonds). Capital gains taxes apply when securities are sold.	Subject to Federal taxes, but exempt from state and local taxes.	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.	Fund yield, share price and return will vary, depending on market conditions. You may have a gain or a loss, depending on when you sell your shares.	Yes. Value will be affected by interest rate fluctuations and municipality's stated.	Payment amounts are fixed, but how long they last may be affected by the performance of the underlying securities.	If Treasuries are held to maturity, investors receive the full face value – regardless of market conditions. If sold prior to maturity, value is subject to market conditions. Investors may receive more or less than they paid, resulting in a potential capital gain or loss.	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. Payment amount and schedule are fixed and may not be changed or accelerated.	Money can be withdrawn or moved from one mutual fund to another. Charges, fees and taxes may apply to each transaction.	Yes. If sold or redeemed prior to maturity value is subject to market conditions. Investors may receive more or less than they paid, resulting in a potential capital gain or loss.	It depends on the types of securities and the terms of the trust. Payments may be withheld at Trustee's discretion.	An active secondary market provides liquidity. There may be a gain or loss if bond is sold or redeemed prior to maturity.	Although it is possible to withdraw assets prior to maturity, there generally is a penalty for early withdrawal.

*Important Note: Neither Strategic Settlements nor its agents give legal or tax advice. Since tax laws are subject to change, the brief discussion of options here cannot be considered complete or necessarily up to date. Please consult your own attorney or tax advisor for more details.

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