FAST FACTS

#98-02.5

Structured Settlement Issues for Plaintiffs

Special Issue – written September 2, 1998

MARKETS ARE RUMBLING — INTEREST RATES ARE TUMBLING

On Monday, August 31, the U.S. stock market fell 512 points, completing a month-long 1,800 point decline. As the markets in Southeast Asia continue their massive sell-offs, now comes Russia, Germany, Venezuela, Mexico and Brazil, along with Canada, Australia and New Zealand.

As investors in all of the falling markets liquidate, where are they heading? To the U.S. Treasury bond market, which has seen yields driven down by the huge influx of funds to as low as 5.25 percent at one point. As Treasury bonds are a large component of the basket of investments that insurance companies buy to back their settlement annuities, their rates are dropping, too, though still above the Treasury bond rates. But be prepared — T-bond rates could easily see 4.75 percent or lower during the next year!

Does this mean the end of structured settlements as a valuable financial planning tool for injured claimants? Probably not, for several reasons.

First, settlement annuity rates will most likely continue to remain more attractive than their traditional competitors, municipal bonds and bank certificates of deposit, as they always have.

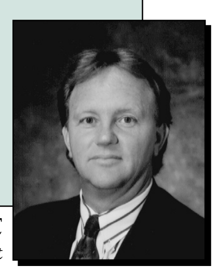
Second, injured claimants and wrongful death beneficiaries presumably will still need safe, guaranteed streams of income. No other investment vehicle in the world can do that ***and*** *guarantee that it will last for the lifetime of the claimant. And the increasingly turbulent stock market is still no place to be looking for safe, consistent income to meet lifetime fixed needs.*

So, how do we reconcile the need for safety and guarantees against not wanting to commit claimants and beneficiaries to lifetime annuity contracts at these low (and heading lower) interest rates? One idea is to schedule lump sum payments into their structured settlements that will return funds to them for reinvestment at, hopefully, a time when interest rates are higher and markets are not so shaky — three, five, seven and 10 years, let's say.

For claimants with discipline, professional management of the remaining net cash from their settlement (in a conservative and hopefully tax-advantaged manner) should then complement their guaranteed lifetime structured payment programs.

In spite of low interest rates, the settlement annuity will remain the foundation of a well-thought-out financial plan for a class of individuals who many times are never able to earn up to the same level of living again.

If you would like assistance in developing strategies for taking control of the structured settlement process, contact us. We can help. Phone us at (800) 666-5584 or (503) 699-8929, or visit our website at **www.settlepro.com**



Jack L. Meligan, CSSC, BCFE
President

Structured Settlement Services for Plaintiffs

SETTLEMENT PROFESSIONALS, INC.

18827 Willamette Drive • West Linn, Oregon 97068