

A Guide to Selling Your Structured Settlement Payments

How to Easily Sell Your Structured Settlement Payments for Cash Now



Table of Contents

- 3** Introduction
- 4** Determine Your Needs
- 5** Research Potential Purchasing Companies
- 6** Consult a Representative and Get a Free Quote
- 7** Complete the Paperwork with the Help of Your Attorney
- 8** Get Approval From a Judge
- 9** Receive Your Money
- 10** Frequently Asked Questions
- 11** Sources

This guide will help you:



Navigate the structured settlement sales process



Prepare for your court hearing



Sell your future payments for cash now in six steps

Introduction

Structured settlements have been a widely accepted and established part of the U.S. legal landscape for more than four decades. Upwards of \$6 billion is paid each year to fund new structured settlements, according to an IRS audit technique guide last revised in March 2019.

For many who have received a [structured settlement](#) because of a personal injury, wrongful death, medical malpractice or other civil lawsuit, the periodic payments over time can provide financial security after a life-altering event.

But financial needs change. Instead of waiting for payments, it may make more sense to sell some or all future payments for a lump sum of cash now to pay down debt, make a major purchase or achieve another important financial goal.

While structured settlement laws vary from state to state, the general sales process can be broken down into six steps.

How to Sell a Structured Settlement in 6 Steps



Determine Your Needs



Do Your Research



Get a Free Quote



Complete the Paperwork



Get Court Approval



Receive Your Money

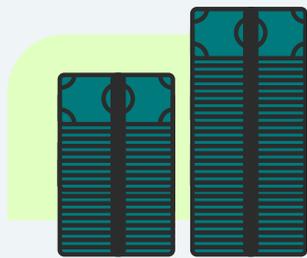
Determine Your Needs

The first step to selling your structured settlement is establishing a solid plan. Clarify why you want to sell your settlement and how you will spend the money to reach that goal.

Then, evaluate the amount of cash you need. Based on your desired dollar amount, you may choose to sell a portion of your payments or the entire structured settlement.

Weigh Your Options

Did you know that you have choices when it comes to selling structured settlement payments to get the cash you need? Most people choose from three options:



Sell all future payments

Sell a portion of all future payments

Sell a group of payments for a period of time

Although your settlement is technically worth the contract's present value, that is not the amount you will receive if you sell your payments.

Using an online [structured settlement calculator](#) can help you estimate the money you may receive from the sale. Bear in mind that the calculation does not factor in the contract's specific terms, so use the estimate only as a starting point.

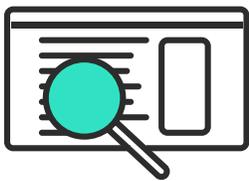
Research Potential Purchasing Companies

Once you understand your estimated payout and financial needs, you can begin researching potential factoring companies, or companies that can purchase your structured settlement.

It's important to choose a factoring company that is dependable, ethical and able to meet your needs. Read reviews to make sure the company has a solid reputation and ask questions about its buying processes.

In the background, your state's [Structured Settlements Protection Act](#) (SSPA) is guarding you from unscrupulous buyers or companies. Your ideal buyer will have a history of protecting the long-term interests of its clients.

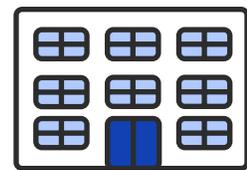
Do Your Homework and Research Buyers



Do your homework to find a buyer that can provide you with the best service and the best deal.



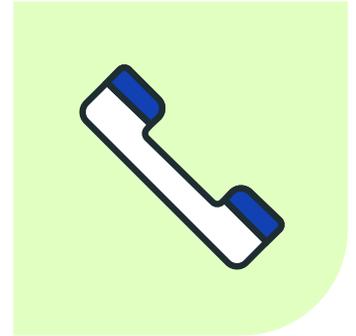
Look for a company with positive online reviews and a high rating from the Better Business Bureau.



Consult your state attorney general's office or consumer protection division to confirm that the company has no complaints on file.

Consult a Representative and Get a Free Quote

After you've identified a few trustworthy factoring companies, start making phone calls to request a [free, no-obligation quote](#). To calculate your quote, companies will factor in the amount of each payment, the frequency of payments and the date you are scheduled to receive the payments.



You will notice that the payout amounts included in the quotes will be reduced by a discount rate, which is standard across structured settlement sales. Carefully compare the quotes and select the one that best fits your needs.

DID YOU KNOW?

You may qualify for a cash advance of up to \$1,000. Ask about the criteria during your consultation.

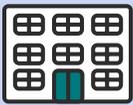


Complete the Paperwork with the Help of Your Attorney

Before you accept your cash offer, review the terms and conditions of your sale with your attorney. Once you've accepted your cash offer, the factoring company will send you the transfer documents to sign and have notarized.

Your attorney can walk you through the sale paperwork and file the completed documents with the court. It may take up to 60 days to receive a court date.

Questions to Ask Your Attorney



Can you help me evaluate the credentials of these factoring companies?



Can you explain the charges and fees included in these settlement payout quotes?



Can you translate and help me understand each section of the paperwork?



What can I expect on the day of the court hearing?

Get Approval from a Judge

The federal Structured Settlement Protection Act mandates a [court approval](#) process to ensure the sale is in the best interest of the structured settlement owner. The judge's approval is not meant to complicate the process; it is intended to protect your financial well-being.

Court Hearing Checklist

Before your court hearing, you must gather the documents required by the court. At a minimum, you will need:

- Valid photo ID or driver's license — plus a second form of identification
- Settlement and release agreement
- Sale or transfer documents
- Contract of the annuity or asset that funds your payments

Prepare to answer questions from the judge about the terms of the sale. The judge may also ask about your medical and living expenses, future financial obligations or dependents in your care. If you have a valid reason for selling and you fully understand the terms of your sale, the judge is more likely to approve the sale of your structured settlement.

Questions a Judge May Ask

- Have you compared the quote from the factoring company to quotes from its competitors?
- Are you confident in the buyer's reputation?
- Are you aware that you will receive less money by selling now than you would if you were to wait for the installment payments?
- Do you fully understand the transfer agreement?
- Has the agreement been reviewed by an attorney or other professional advisor who is not working for the purchasing company?

After obtaining court approval, the buyer can move forward with purchasing your structured settlement.

Receive Your Money

The purchasing company will send you a lump-sum payment after the sale is finalized. You will likely receive a check or a direct deposit into your bank account.

In some cases, you can expect to receive your money within a week of your court date, but this depends on how quickly the insurance company that is responsible for holding the money acknowledges the transfer.

Once you have received your money, the process is complete, and you have liquidity – or the ability to spend the lump sum of money to meet your needs.

Frequently Asked Questions

How long does the sale process typically take?

It typically takes 45 to 90 days to sell structured settlement payments. This timeframe can vary due to state-specific laws and available court dates. Check with your lawyer about the unique laws in your state before finalizing the sale.

Will I be taxed on the sale of my structured settlement?

In most cases, the sale of future structured settlement payments is not subject to [tax consequences](#) — so long as the sale is legal and the contract provisions don't change. However, there are rare cases in which the payments are taxable, so you should confirm the status of your contract with a tax professional.

Will I be charged an interest rate if I sell my payments?

You will be charged a discount rate, which is calculated using the contract's interest rate, the buyer's demand, inflation and time investment. Average discount rates range from 9 percent to 20 percent and are intended to offset the risk assumed by the purchaser in the transaction.

What if this settlement is for a minor?

A parent or legal guardian can initiate the process to sell the rights to future payments. However, the burden of proof is higher in the courtroom, so it must be conclusively proven that the minor has the immediate need for cash. Selling future payments must be more beneficial to the minor than continuing the periodic payments.

Sources

American Bar Association. (2019, September 9). How do I know if a Lawyer is Right for Me? Retrieved from

https://www.americanbar.org/groups/public_education/resources/public-information/how-do-i-know-if-a-lawyer-is-right-for-me/

Hindert, D.W. & Ulman, C.H. (2005). Transfers of Structured Settlement Payment Rights: What Judges Should Know about Structured Settlement Protection Acts. Retrieved from

<https://heinonline.org/HOL/LandingPage?handle=hein.journals/judgej44&div=18&id=∓page>

IRS. (2019, March) Excise Tax on Structured Settlement Factoring Transactions Audit Technique Guide. Retrieved from https://www.irs.gov/pub/irs-mssp/structured_settlement_factoring.pdf

IRS. (n.d.). Settlements – Taxability. Retrieved from <https://www.irs.gov/pub/irs-pdf/p4345.pdf>

National Association of Insurance Commissioners. (2020, February 18). Annuity Suitability & Best Interest Standard. Retrieved from

https://content.naic.org/cipr_topics/topic_annuity_suitability_best_interest_standard.htm

National Structured Settlements Trade Association. (n.d.). Structured Settlements for Minors. Retrieved from

https://www.nssta.com/sites/default/files/library/2019/2019-08/NSSTA_Structures_For_Minors_08292019.pdf

Wood, R. (2019, June 26). How Lawsuit Structured Settlements Work. Retrieved from

<https://www.forbes.com/sites/robertwood/2019/06/26/how-lawsuit-structured-settlements-work/?sh=553538e152e7>

About the Author

Sheena Zimmermann, M.Ed.

Staff Writer, Annuity.org

Sheena Zimmermann, M.Ed. is a staff writer for Annuity.org and has more than a decade of specialized experience in training delivery and educational outreach. She holds a master's degree in education from the University of Florida and a bachelor's degree in communications from Clarion University. Sheena is a member of the Florida Writers Association and the Association for Financial Counseling & Planning Education.