



CONSULTING PARTNERS • CONSUMER GUIDE

STRUCTURED SETTLEMENTS & ANNUITIES

Lump sum or scheduled payments?

A plain-language guide to selling future payments: how pricing works, what you give up, and how to decide what's right for you.

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UNDERSTANDING YOUR OPTIONS

Keep your payments, or take a lump sum?

A structured settlement pays you over time. Selling some of those future payments can put cash in your hands today, but it always costs you some of their value. The right choice depends on what the money is for and what you'd be giving up.

What a structured settlement is

A structured settlement is an agreement, usually from a personal injury or similar legal claim, that pays you in scheduled installments instead of all at once. The payments typically come from an annuity issued by an insurance company. They're designed to provide steady, long-term income, and in many cases they are tax-free.

Your three basic choices

Option	How it works	Best suited for
Keep your payments	Nothing changes. You receive every payment as scheduled.	People who rely on the income or have no pressing need for cash.
Sell a portion	Sell some payments, such as part of each payment, a few years of payments, or one future lump-sum payment, and keep the rest.	A specific goal, like a down payment, while keeping ongoing income.
Sell all remaining payments	Exchange every remaining payment for one lump sum.	Rarely the best fit; courts look at these closely.

You don't have to choose all or nothing. Selling only what you need protects the income you keep.

HOW PRICING WORKS

Why a lump sum is always less than the total

A funding company that buys your payments waits years to collect them, so it pays you less than their face value today. The difference is set by a **discount rate**. The lower the discount rate, the more money you receive. Small differences in that rate can add up to thousands of dollars.

A hypothetical example

Suppose you sell \$500 a month for the next 10 years, which is \$60,000 in total payments. Here's roughly what different discount rates would mean for the amount you receive, before fees:

Discount rate	Approximate lump sum	What you give up
9%	\$39,500	\$20,500
12%	\$34,900	\$25,100
15%	\$31,000	\$29,000
18%	\$27,700	\$32,300

Illustration only. Actual offers depend on your payment schedule, the annuity issuer, market rates, and fees.

Read these numbers on every offer

Most states require the funding company to give you a written disclosure statement before you sign. Look for these items and compare them across offers:

- **Total payments being sold:** the full face value you're giving up
- **Discounted present value:** what the payments are worth today under federal standards
- **Gross advance:** the purchase price before costs
- **Fees and expenses:** every charge, itemized
- **Net advance:** the amount you'll actually receive
- **Penalties:** anything you'd owe if you back out after signing

WEIGHING THE TRADE-OFFS

Long-term security versus today's needs

Selling payments can make sense when the lump sum does something your monthly payments can't. It can be a costly mistake when it simply replaces income you'll still need.

Often worth considering	Usually worth a second look
A down payment that replaces rising rent with a fixed mortgage payment	Everyday spending, vacations, or vehicles you could finance
Paying off high-interest debt that costs more than the discount rate	Selling all payments when you depend on the income
Education or training that raises your earning power	Pressure to decide quickly, or a sale you don't fully understand
Starting or growing a business with a clear plan	Repeated sales that leave little income for the future

Questions to ask before you decide

- What exactly will the money do, and is there a less costly way to do it?
- How much of my future income can I afford to give up, and for how long?
- Can I sell a smaller portion and still reach my goal?
- How does this offer compare with offers from other funding companies?
- How will this affect the people who depend on me?

Red flags

- Pressure to sign quickly, or reluctance to put terms in writing
- Being asked to sign blank or incomplete forms
- Cash advances or “gifts” offered before the court approves the sale
- Discouragement from getting independent advice

HOW KNOW-HOWE HELPS

An independent broker on your side

Most people only hear from the company advertising to them. Know-Howe works as an independent consultant, much like a mortgage broker: we aren't tied to one funding company. We help you decide whether selling makes sense at all, sell only what you need, and shop your payments across multiple funding sources to find the agreement that best fits your goals.

- A clear look at keeping versus selling, before any paperwork
- Side-by-side offers, explained in plain language
- Guidance through the court approval process, start to finish

The best sale is the smallest one that reaches your goal.

Ready to talk it through? Schedule a free, no-obligation consultation at [knowhowegroup.com](https://www.knowhowegroup.com) or call 720.738.5416.

Important information

This guide is general educational information, not legal, tax, or financial advice. Laws and court procedures vary by state and change over time, and every situation is different. Before selling any future payments, talk with an independent attorney, tax professional, or financial advisor.