



CONSULTING PARTNERS • CONSUMER GUIDE

STRUCTURED SETTLEMENTS & ANNUITIES

The court approval process, explained.

What happens when you sell future payments, why a judge must approve it, and how to prepare for your hearing.

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WHY A JUDGE IS INVOLVED

Court approval protects you

Selling structured settlement payments isn't a private deal between you and a funding company. In nearly every state, a judge must approve it first, and must find that the sale is in your best interest.

Court approval exists because of past abuses. In 2002, Congress added a federal rule that imposes a 40% excise tax on a funding company that buys structured settlement payments without a qualifying court order. To get that order, a state court must find that the transfer is in the payee's best interest, taking into account the welfare and support of the payee's dependents.

Nearly every state, plus the District of Columbia, has its own Structured Settlement Protection Act setting out how the process works. The details differ from state to state, but the core protections are similar.

What the court looks for

- The sale is in your best interest, considering your dependents
- You were advised in writing to get independent professional advice, and either received it or knowingly waived it
- The sale doesn't conflict with any law or existing court order

Judges often also consider your reason for selling, your age and other income, whether the price is fair, and whether you've sold payments before.

STEP BY STEP

How the process works

Step	What happens
1	Explore and compare Decide whether selling makes sense, how much to sell, and compare offers from more than one funding company.
2	Receive the disclosure statement Before you sign, the funding company must give you a written statement of the payments, their value, fees, and the net amount you'll receive.
3	Sign the transfer agreement You agree to the sale, subject to court approval. You're advised in writing to get independent professional advice.
4	Petition is filed The funding company files an application with the court and notifies interested parties, such as the annuity issuer and insurance company.
5	Court hearing A judge reviews the sale. You may need to attend, in person or remotely, and answer questions about your plans.
6	Order and funding If the judge approves, the court issues an order. Funding follows, and the purchased payments are redirected to the buyer.

From signing to funding, the process often takes several weeks to a few months, depending on the court's schedule and how quickly notices are served. Plan your timeline around that, especially for something like a home purchase.

Preparing for court

State rules differ on timing and paperwork, but every hearing has the same purpose: to make sure the sale truly serves you. Going in prepared makes the process smoother.

- Be ready to explain clearly what the money is for, with documents if you have them (a purchase contract, school enrollment, debt statements)
- Know your monthly budget and how you'll manage after the sale
- Be prepared to talk about your dependents and how the sale affects them
- Understand the numbers in your disclosure statement
- Answer honestly. The judge's role is to protect you

If the court says no

A denial isn't the end of the road. Judges often decline sales that are too large or too costly. A smaller sale, a better price, or a clearer plan may be approved later.

HOW KNOW-HOWE HELPS

Guidance from first call to funding

The court process exists to make sure a sale truly serves you. Know-Howe helps you go in prepared: we shop your payments across multiple funding sources, help you sell only what you need, explain every number in your disclosure, and help you get ready for your hearing.

**A well-prepared request, for a clear purpose at a fair price,
is the kind a judge can say yes to.**

Schedule a free, no-obligation consultation at knowhowegroup.com or call 720.738.5416.

References: 26 U.S.C. § 5891; 26 C.F.R. § 157.5891-1.

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.