

Title:

Annuity Transfer - What Are The Risks

Word Count:

611

Summary:

Many people who know in the back of their minds that they got the possibility to transform a monthly payment or annuity long term payments into a big lump sum and by that to relieve some temporarily financial problems, or need to buy a new car or a house or help their children and so forth are tempted to exercise this process into action.

Although it is a very natural feeling and sometimes even a real life need or deep inner quest for power and control, it is not in their ...

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Article Body:

Many people who know in the back of their minds that they got the possibility to transform a monthly payment or annuity long term payments into a big lump sum and by that to relieve some temporarily financial problems, or need to buy a new car or a house or help their children and so forth are tempted to exercise this process into action.

Although it is a very natural feeling and sometimes even a real life need or deep inner quest for power and control, it is not in their best financial interest to say the least.

It is no wonder that the U.S federal laws encourage long term payments in both cases like Structured settlements and lottery winnings. There are many good reasons for that and I'm going to spell them out as clear as I can.

- In some countries around the world it is legal to pay for lottery winning in one lump sum. Experience shows many of these people lose most or all of their money in a few years time, due to the following reasons:

- Ordinary people who get into their possession a very large sum of money don't really know how to manage their treasure or how to invest it wisely, they are

not prepared for it and they are overwhelmed with a delusion of over abundance of wealth, they become totally careless on how and on what they spend their money.

- Even if they invest their money, they go for high risk speculative investments as they try to get high yields. Instead of going for a much solid and safer, "widows & orphans" type of investment portfolio. Neither do they go for the golden middle way in between of a mixed portfolio. They don't use investments advisers or financial consultants.

- They become over generous with their family and friends, they buy their children homes, cars or any other materialistic requests, they "lend" money to a friend in need...

- They listen to shrewd business people who talk them into investing into all kinds of business adventures that seems to them very profitable but in a short while turn into total failures and the money is gone.

- All kind of addictive behaviors like betting horse races or going to play the roulette in the casino are now intensified with the feeling of power and wealth, it might drive the person to gamble high sums of money as if there is no tomorrow.

- Believe it or not but criminal elements might engage in putting pressure to extort monies from the overnight rich poor guy. They might threaten to harm his family etc'

- Charity institutions start to call all day and night asking for donations to a very noble causes, they even send some slick reps to convince him to donate money.

- His own children, some times his spouse becomes very greedy and exert emotional pressure to give them more and more money. In some cases the sudden riches literally ruined the families.

As I have shown you above, getting a large lump sum of money might be a risky thing, this is In addition to the fact that you are loosing a lot of money which was Tax free, that alone might be a difference of anywhere between 35% - 65% , add to it the profits of the fund who bought the annuity from you and you are loosing big time. It is not recommended for an injured or a disabled person, to transform the whole Structured Settlement long term payments into one big lump sum or you might find yourself one day without the money and facing high medical expenses and other bills you cannot afford.

