Title:
A Structured Settlement Annuity: Comparatively Speaking

Word Count:
480

Summary:
So you think you can do better investing the lump sum payment yourself rather than relying on the structured settlement for steady, predicatable income? Take a look at how a structured settlement compares with one of the most popular investment vehicles.

Keywords:
structured settlements, structured settlement annuities, annuity, structured settlement

Article Body:
In earlier articles, we've seen the benefits of structured settlement annuities over lump sum payments. For some, this protects them from the temptation of spending the bulk of their payment on unsound or unwise investments. Protection and incoming cash flow over the long haul are what structured settlement annuities provide. However, not every person faced with a lump sum payment necessarily will be tempted to spend the money rashly. Obviously, there are people who are savvy investors and think that given the opportunity with a lump sum payment over a structured settlement annuity, they will be able to make more money investing on their own.

With that in mind, let's take a look how a structured settlement annuity compares with one of the most popular investment vehicles, the equity income mutual fund.

First, let's look at who issues the annuity and the mutual fund.
A structured settlement annuity is issued by a life insurance company. An equity mutual fund is issued by and investment company that pools the assets of multiple investors in equity securities.

Next, let's look at the long term capabilities of each to provide a lifetime income.
An annuity payment plan is created up front and is a predictable and dependable source of income that can not be outlived. A mutual fund can be a high paying investment. However it can also be highly volatile and unpredictable based on

market conditions and can actually lose money and stop your earnings if the fund performs poorly.

What about guaranteeing the payouts?
An annuity is guaranteed by the issuer of the annuity based on the terms of the structured settlement. A mutual fund is solely dependent on market activity and thus can not be guaranteed.

What about costs?
The annuity has no cost associated with it. A mutual fund can be subject to a number of fees, like a sales load, yearly management fee, and marketing expenses. Even the lowest cost index funds have some costs associated with them.

What about keeping up with inflation?
A structured settlement annuity can have a cost of living adjustment incorporated into the annuity at the time it is designed. An equity mutual fund can outperform inflation based on how the underlying securities perform. However it is difficult to predict what the return will be and remember "past performance is not and indicator of future results."

But what about the dreaded T-word....Taxes??
A structured settlement annuity is tax free as long as the money received is the result of personal physical injury or physical illness. As income is earned from an equity mutual fund taxes, capital gains, income etc, must be paid.

What about flexibility?
A structured settlement annuity payment amount and schedule may not be altered at any time. Conversely, money can be moved in and out of mutual funds. However, taxes, sales loads etc may be applicable with each transaction.