SETTLING EMPLOYMENT CLAIMS

The use of structured settlement annuities for employment-related claims has gained acceptance as a valuable settlement tool. Employment case litigators and their clients continue to praise this unique approach to creating better settlements based on a structured settlement's inherent qualities of offering tax advantages, safety, security, and reliability.

How do Structured Settlements in Employment Cases Work?

Employment settlements typically include recovery for lost wages, lost benefits, and emotional distress. While the lost wages portion of the settlement is ineligible to be structured, if the claimant chooses to structure the non-wage portion, the defendant pays the money directly to a third-party assignment company. The assignment company, now liable for the payments, purchases a structured settlement for the claimant's benefit.

Maximize Your Settlement With a Structure

Employment-related damages and non-physical injuries are fully taxable in the year the settlement is received. When receiving the settlement as a single lump sum, precious dollars are lost to taxes that could have otherwise been deferred and leveraged for future growth. Simply settling for cash does not yield as much money as a structured settlement annuity. The below table illustrates an employment settlement as a Lump Sum Cash Settlement vs. a Structured Settlement.

	Lump Sum	Structured Settlement
Settlement	$1,000,000	$1,000,000
Attorney Fees & Expenses	- 400,000	- 400,000
Net Settlement Amount	$ 600,000	$ 600,000
Taxes Paid in Year 1 (35% federal, 6% state*)	- 246,000	$0
Net to invest in Year 1	$ 354,000	$ 600,000

**Varies by state*

With periodic payments from a structured settlement, the claimant is able to defer taxation on the entire amount and allow 100% of the funds to be invested. In the example above, the structured settlement gives the claimant $246,000 more to invest than settling for cash.

Benefits of Structured Settlements

- **100% Income Tax-Deferred**: Payments (including growth) for employment cases are tax-deferred.
- **Guaranteed Payments[1]**: The schedule of payments is determined on the front end of the transaction, resulting in a steady source of safe, reliable, guaranteed income for the claimant.
- **Guaranteed Rate of Return**: With a locked-in rate of return, injured claimants can rest assured that market volatility will not affect their structured settlement payments.
- **No Overhead Fees or Expenses**: The lack of overhead fees combined with the preferential tax treatment allow structured settlements to remain competitive with traditional investments.
- You can structure all types of employment cases, attorney fees and other negotiated workplace settlements.

Who is eligible to settle employment claims using a structured settlement?

- Self-insured corporations
- Municipalities
- Governmental organizations
- Insurance companies

For more information about employment claims, contact us today.

[1] *Guarantees are subject to the claims-paying abilities of the issuing insurance company.*

With local offices across the country, our team offers award-winning comprehensive settlement planning services.

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