STRUCTURED INSTALLMENT SALES

When a business or a property is sold for a lump sum cash payment, the seller typically has to recognize the entire gain as taxable in the year of the sale. A structured installment sale is a unique tool that, through the use of periodic payments, allows the seller of a business or property to defer tax liability on the capital gains until the years in which the payments are received.

How does a structured sale work?

A structured sale operates in much the same way as a structured settlement, with a few differences. The buyer and seller enter into an agreement under which the buyer agrees to pay the seller via a series of periodic payments. The buyer then assigns their obligation to make those payments to a third-party non-qualified assignment company, which receives the funds and purchases an annuity or U.S. Treasury obligations to fund the periodic payments. Periodic payments are then made to the seller under the terms of the sales agreement.

Installment sales allow sellers to defer capital gains pursuant to Section 453 of the Internal Revenue Code. Later rulings, including Rev. Rul. 82-122, permit the installment sale obligation to be transferred to a third party.

What types of assets apply?

A structured sale is allowable by federal tax law pursuant to Section 453 of the Internal Revenue Code. This special type of installment sale is restricted to proceeds from the sale of capital assets, including investment real estate, stocks, bonds, mutual funds, partnerships and certain collectibles.

Advantages of a Structured Sale

- Taxes are not payable until the year payments are received
- Guaranteed[1] rate of return
- Stream of payments is flexible in design
- Protection from future insolvency of buyer
- Low-risk foundation for diversified investment portfolio

For more information about structured installment sales, contact Sage Settlement Consulting today.

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

Toll-Free: (877) 737-7243
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[1] *Guarantees are subject to the claims-paying abilities of the issuing insurance company.*

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STRUCTURED INSTALLMENT SALES FLOW CHART

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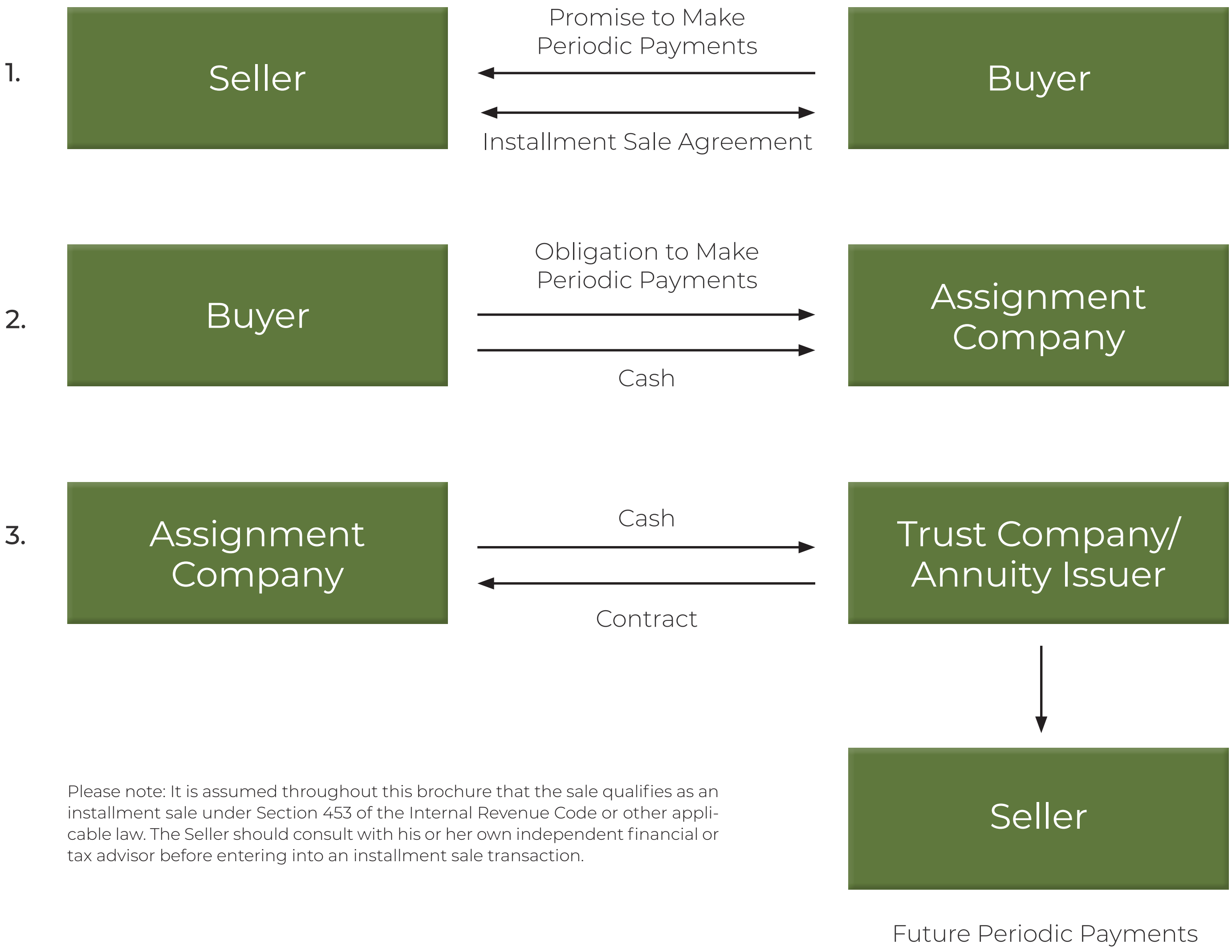
In a structured installment sale transaction, a seller agrees to take part of the funds from the sale of a business or property in the form of periodic payments.

A structured sale transaction involves three independent steps:



Please note: It is assumed throughout this brochure that the sale qualifies as an installment sale under Section 453 of the Internal Revenue Code or other applicable law. The Seller should consult with his or her own independent financial or tax advisor before entering into an installment sale transaction.

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