

January 17, 2012

## COMPARISON ANALYSIS

**JANE DOE**  
**D.O.B. DECEMBER 20, 1972**

The purpose of this comparison is to compare a settlement of \$300,000.00 cash with a structured settlement of \$300,000.00.

### **A: CASH SETTLEMENT AT \$300,000.00**

Let us assume that Jane Doe invests \$300,000.00 cash in a long-term government bond yielding 2.51% interest for a period of 20 years. Each year Jane Doe would receive \$7,530.00 of interest income which would be subject to income tax. For the purposes of this comparison I have assumed Jane Doe's tax rate to be 30%.

At the end of 20 years Jane Doe will recover \$300,000.00 capital in the form of bond redemption.

Therefore,

\$300,000.00 investment @ 2.51% per year gross:	\$7,530.00
Less: Income Tax @ 30%:	<u>\$2,259.00</u>
Net Income:	<u>\$5,271.00</u>

Thus, it can be seen that each year Jane Doe would net only \$5,271.00 in spendable income. It is possible that Jane Doe's marginal tax bracket will be higher than 30%. If this is the case, the \$5,271.00 net income figure outlined above would be somewhat generous.

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**B: STRUCTURED SETTLEMENT AT \$300,000.00**

If Jane Doe were to invest the \$300,000.00 in a structured settlement, it can be seen that the structure will produce the following payments:

Monthly structure payments of \$802.22, or \$9,626.64 per year.

PLUS

\$300,000.00 lump sum payment in 20 years.

In the result, the structure pays \$4,355.64 more spendable dollars per year than the cash settlement provides in annual interest payments. Over a period of 20 years this creates a differential, in favour of the structure, of **\$87,112.80**.

It must also be remembered that the structure payments flow monthly whereas the interest payments on the cash investment are payable semi-annually or annually.

If Jane Doe's marginal tax bracket is higher than 30%, the differential between the structure and the cash settlement becomes even more dramatic.

*This is an illustration only as rates fluctuate on a daily basis. Please contact our office for an updated Comparison Analysis*

JANE DOE (F) D.O.B. DECEMBER 20, 1972

\$300,000.00 FUNDING  
 20 YEARS OF PAYMENTS  
 PLUS A LUMP SUM PAYMENT

ALL PAYMENTS ARE TAX FREE

YEAR	START	AGE	MONTHLY	YEARLY	CUMULATIVE
<i>Mar 1, 2012 Starting \$802.22 / month without indexation</i>					
1	Mar 1, 2012	39	802.22	9,626.64	9,626.64
2	Mar 1, 2013	40	802.22	9,626.64	19,253.28
3	Mar 1, 2014	41	802.22	9,626.64	28,879.92
4	Mar 1, 2015	42	802.22	9,626.64	38,506.56
5	Mar 1, 2016	43	802.22	9,626.64	48,133.20
6	Mar 1, 2017	44	802.22	9,626.64	57,759.84
7	Mar 1, 2018	45	802.22	9,626.64	67,386.48
8	Mar 1, 2019	46	802.22	9,626.64	77,013.12
9	Mar 1, 2020	47	802.22	9,626.64	86,639.76
10	Mar 1, 2021	48	802.22	9,626.64	96,266.40
11	Mar 1, 2022	49	802.22	9,626.64	105,893.04
12	Mar 1, 2023	50	802.22	9,626.64	115,519.68
13	Mar 1, 2024	51	802.22	9,626.64	125,146.32
14	Mar 1, 2025	52	802.22	9,626.64	134,772.96
15	Mar 1, 2026	53	802.22	9,626.64	144,399.60
16	Mar 1, 2027	54	802.22	9,626.64	154,026.24
17	Mar 1, 2028	55	802.22	9,626.64	163,652.88
18	Mar 1, 2029	56	802.22	9,626.64	173,279.52
19	Mar 1, 2030	57	802.22	9,626.64	182,906.16
20	Mar 1, 2031	58	802.22	9,626.64	192,532.80
	Feb 1, 2032	Lump Sum Payment		300,000.00	492,532.80

All payments are guaranteed to be made.

NUMBERS ARE SUBJECT TO CHANGE UNTIL FUNDING. WE GUARANTEE THE HIGHEST YIELD POSSIBLE UNDER THE TERMS OF THE SETTLEMENT, AT THE TIME OF FUNDING.