

PROTECTING **YOUR** FUTURE  
*Your Guide to Structured Settlements*

**McKellar** STRUCTURED  
SETTLEMENTS

*Now you're sure.*

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# INTRODUCTION

*We have designed this guide to help you understand the advantages of the structured settlement option.*

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Being involved in a personal injury claim can be overwhelming, with important decisions that you must make about the future. One key decision involves making sure your day-to-day financial needs will be met and how best to make sure your settlement funds last.

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A *structured settlement* brings certainty—a *guaranteed tax-free paycheck* that (if you wish) can last for the rest of your life. You may not have heard about structured settlements before—so it is important to understand how a structure works, and how it can meet your financial needs.

**The McKellar Structured Settlement™**

*Billions of dollars invested, not a penny lost.*

# What Is

## A Structured Settlement?



### A Guaranteed Tax-Free Paycheque

A structured settlement is created when part of your personal injury settlement (most people choose to receive a portion in cash as well) is deposited with a life insurance company in exchange for *guaranteed tax-free payments*—usually monthly—for your lifetime or for a certain period of time.

These payments can be directly deposited to your bank account, and over time, the payments you receive add up to much more than the amount originally invested.

The underlying investment that creates your structured settlement is a very specialized annuity. McKellar guarantees that each and every payment you receive from this annuity is completely tax free.

*The result is a payment stream that simply cannot be matched by any other guaranteed investment.*

#### **important!**

*Once your structure is implemented, it cannot be changed or cashed in.*





# What Are The Key Benefits Of A Structured Settlement?

## **BENEFIT #1** ➤ The Greatest Certainty

The key benefit of any structured settlement is the guarantee of payment it provides. A lifetime structure guarantees that your settlement funds will last for as long as you do. It creates the reassurance that for as long as you live, you will never run out of money. No other investment can guarantee this—and do it tax free.

*Think of it as creating a paycheck for yourself.*

Unlike a traditional paycheck though, you pay no tax, and there is no risk that you can ever lose this job. In addition, structured settlement payments can often continue (still tax free) to your family after your death.

Even if the form of structure you select is for a specific number of years instead of your whole lifetime, you still have the certainty of knowing that each and every payment is guaranteed to be made, with no tax ever payable.

**MORE BENEFITS** ➤

# What Are The Key Benefits Of A Structured Settlement?



## **BENEFIT #2** ➤ No Income Tax—EVER!

*You never pay tax on your structured settlement.*

No tax slip is ever issued to you, since Canada Revenue Agency does not view structure payments as income. The monthly payments are simply one way of providing you with your personal injury damages over a period of time. Whether you receive the payments or your estate does (if your structure includes estate protection), they are always completely tax free.

Outside of your structure, the amount you receive in up-front cash is also tax free, but once you invest it, any earnings on that portion will be taxable.





# What Are The Key Benefits Of A Structured Settlement?

## **BENEFIT #3** ➤ The Highest Guaranteed Investment Return Available

The exact yield of each structure depends on the form you choose. In general, structured settlements provide a *higher rate of return than any other guaranteed investment*. This return is made even better by the fact that the structured settlement is completely tax free (and there are no fees).

Often, financial advisors will show investment returns that look, on the surface, more favourable than those from a structured settlement, however, this is like comparing apples to oranges—the two investments are very different.

The return in a structured settlement is guaranteed, and tax free, while the alternative projections often show “possibilities” that are not guaranteed, would certainly be taxable, and carry a risk of low or negative returns.

STRUCTURED SETTLEMENT	OTHER INVESTMENTS
NO INCOME TAX—EVER	EARNINGS ARE TAXABLE
ELIMINATES RISK—GUARANTEED	LOSSES ARE A REAL POSSIBILITY
PEACE OF MIND—PAYMENTS ARE SECURE AND WILL NOT CHANGE DUE TO MARKET CONDITIONS	SUSCEPTIBLE TO MARKET CONDITIONS—UNPREDICTABLE AND INCONSISTENT INCOME
NO MANAGEMENT FEES—EVER!	OFTEN CARRY MANAGEMENT FEES—SOME MORE THAN 3% PER YEAR!

**MORE BENEFITS** ➤

# What Are The Key Benefits Of A Structured Settlement?



## **BENEFIT #4** ➤ Unlimited Design Possibilities

Your structured settlement will be designed to meet your own very unique requirements. Before your structure is put in place, we work with you to determine the features best suited to your needs, and create a customized plan. In other words, you tell us what you want your tax-free paycheck to look like.

*a) Length of Structure and Payment Format* • You can arrange for payments to last for a specific number of years (20 years, for example), or for your entire lifetime (no matter how long you live). While most people choose monthly payments, you could decide to receive payments quarterly, twice a year, or annually. If you choose to receive payments for the rest of your life, you may even receive more money if the life insurer paying you thinks you might have a reduced life expectancy because of your injuries.

*b) Start Date* • Payments can begin in about one month, or at a specific point in the future. If you need a certain monthly amount now, but think you may need more in the future, you can start with lower payments and have them increase after a set period of time. Or if you think you need more money now, you could choose the opposite—receiving higher payments in the early years, and lower payments later on.



# What Are The Key Benefits Of A Structured Settlement?

*c) Inflation Protection* • Like a traditional paycheck, your structured settlement can also incorporate a “raise” each year, by including indexation of the payments. Indexation means that the monthly payments can be designed to increase by a set amount each year, in order to provide some protection against inflation.

Having some kind of indexation helps protect your spending power over the length of your structured settlement. Costs such as rent, groceries, medical equipment, and care services do go up over time. With an indexed structure, you can have *guaranteed payment increases* to help protect against rising costs.

*d) Lump Sum Payments* • In addition to monthly payments, you may also want your structure to provide a lump sum every year, or every few years. Like the monthly payments, the lump sums are also completely tax free, and may help you create a payment plan with more flexibility. Including lump sums could help you create a savings fund to cover the cost of any future large purchases you may need to make.

*You decide what you need, and when ~ the choice is yours.*

**MORE BENEFITS** ➤

# What Are The Key Benefits Of A Structured Settlement?



## **BENEFIT #5** ➤ Estate Protection

Depending on the terms of your settlement, your structure might include a minimum guarantee period to protect your loved one(s) in the event of your early death. In other words, you may set a minimum number of payments that will be made, whether or not you are alive. The opportunity to protect your loved one(s) in this way is particularly important if your injuries would make traditional life insurance very expensive, if not impossible, to obtain.

For example, if you have a lifetime structure with a 25-year minimum guarantee period, but you die before the end of the 25 years, your estate (or the loved one(s) you name specifically) would receive the remaining guaranteed payments, also tax free.

*A structured settlement with estate protection provides certainty for you, and for those you care about as well.*



# What Are The Key Benefits Of A Structured Settlement?

## **BENEFIT #6** ➤ Preservation of Other Essential Benefits

Eligibility for many valuable government benefits and tax credits is based on your income, as reported on your tax return. Without a structure, any investment income you earn on your settlement could reduce or completely eliminate these other benefits and tax credits.

Structured settlement payments, however, are never declared on your income tax return. This ensures that you maintain any other benefits and credits that you are entitled to receive. Though there are many possible benefits, below are just a few that many people rely on for support:

- Canada Child Benefit
- Old Age Security
- HST/GST Credit
- Ontario Student Assistant Program
- Hydro Rebate
- RDSP Bond/Grant

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*Choosing a structured settlement could put  
even more money in your pocket.*

# How Guaranteed Is A Structured Settlement?



*The structured settlement is one of the most secure investments available. In fact, your structure contains three levels of guarantee:*

## **YOUR 1ST LEVEL OF GUARANTEE** » The Issuing Life Insurer

At McKellar, we place your structured settlement with only those Canadian life insurers offering the greatest long-term security.

- 1.** The life insurer must have an ***unblemished record*** of always paying 100% of its obligations on time.
- 2.** The life insurer must be a ***Canadian federally-registered*** insurer. Such insurers are overseen by the Office of the Superintendent of Financial Institutions (OSFI). One of OSFI's key roles is to ensure these companies remain strong and financially solvent.
- 3.** The life insurer significantly exceeds the requirements of OSFI's Life Insurance Capital Adequacy Test. This means it has significantly more assets than liabilities.
- 4.** The life insurer issuing the annuity must have a ***very high rating*** from Standard & Poor's or equivalent from another rating agency.

Because of the degree of security offered by these life insurers, the chance of a default is virtually zero. Nevertheless, there are two additional levels of protection.



# How Guaranteed Is A Structured Settlement?

## YOUR 2ND LEVEL OF GUARANTEE »» Assuris

Assuris is a not for profit organization that protects Canadian policyholders in the event that their life insurer becomes insolvent. It is supported and run by the Canadian life insurance industry. If your payments are less than \$5,000.00 per month, you will receive 100% coverage from Assuris. If your payments are \$5,000.00 or higher, Assuris will provide the greater of 90%, or \$5,000.00 per month.

## YOUR 3RD LEVEL OF GUARANTEE »» The Owner of the Annuity



Your structured settlement is tax free because it is owned by an insurance company. For Canada Revenue Agency to approve your structure, an insurer must remain **100% liable for your payments**. This insurer is required to make your payments if the life insurer cannot make them and if there is a shortfall in the Assuris coverage. Sometimes the owner will be the funding casualty insurer. Other times, it will be a separate insurance company.

*The chances of your life insurer defaulting are exceedingly remote. Still, it is reassuring to know that additional layers of protection exist.*

# What Do I Pay For A Structured Settlement?



**With a structured settlement, you pay no fees—EVER!**

You will never see a bill or pay investment management expenses when you consult McKellar, or have us implement your structure. As a commissioned broker, the life insurer that gives you the highest payment also pays us when your structured settlement is put in place.

Other investments often carry fees that you pay regardless of whether you gain or lose money. With your structure, the amount you see in your contract is the amount you will get—it's guaranteed.

*The structured settlement is not only tax free ~  
it also comes at no cost to you.*

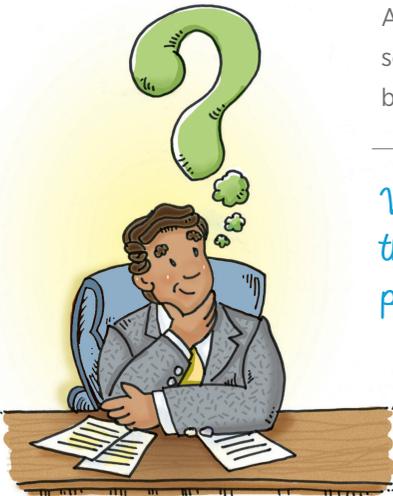




# Can I Buy A Structured Settlement After Receiving A Cash Payment?

**No. You cannot purchase a structured settlement on your own.**

The ability to have a structured settlement requires the agreement of the company providing you with the settlement funds. This agreement is essential, and is required by Canada Revenue Agency in order for your payments to be tax free.



All of the necessary paperwork to ensure that your structured settlement is properly put in place is prepared or reviewed by the experts at McKellar.

*When your final documents are sent to you, they come with our written guarantee that your payments are completely tax free.*

# Looking Ahead

## With Your Future In Mind



McKellar understands that knowing the amount of your settlement is just the start. Trying to figure out how best to manage those funds, pay all of your bills, and purchase the goods and services to meet your ongoing needs can be overwhelming and confusing.

If all of your settlement funds are paid out in a single lump sum, you have no way of knowing how long the money will last—or whether it will be enough to live on in the future.

*With a structured settlement, you do not have the worry of trying to invest and manage a large lump sum. Instead, you will know exactly how much you will receive and when.*



# A Structured Settlement Provides Peace Of Mind

Structured settlements provide *certainty, safety, and security*. Your structured settlement will provide you and your family with the peace of mind of knowing that every tax-free payment will be made. You can sleep at night knowing your money is safe!

*Please call your lawyer or McKellar for more information.*

One of our structured settlement specialists would be pleased to meet with you at your convenience— at absolutely no cost or obligation.



## **important!**

*Remember, Canada Revenue Agency only gives you one opportunity to stretch your settlement money further by taking advantage of a structured settlement. Please take the time to understand the advantages and benefits of your settlement options.*

# A Structured Settlement Provides Peace Of Mind



McKellar is the oldest and largest structured settlement firm in Canada—and the market leader. We are proud to call injured plaintiffs, lawyers and insurance professionals across the country our valued clients. With the team at McKellar, you gain access to expertise from the most qualified professionals in this industry.

## Client Endorsements

*“I don’t have any worry about my financial future.”*

**PAM LEJEAN**, DALHOUSIE UNIVERSITY, GRADUATE

*“McKellar provided peace of mind for the rest of my life.”*

**LEANDRE CASSELMAN**, DEVELOPMENT COORDINATOR

*“McKellar helped me regain financial independence.”*

**STEVE NOYES**, I.T. CONSULTANT VOLUNTEER





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