

# AIG Structured Settlements – Attorney Fees<sup>1</sup>

Structuring your fees is a smart and secure way for you to leverage the money you earn today for the expenses you will incur tomorrow. It also provides peace-of-mind because the money remains safe despite market fluctuations and instability. By following some simple procedures, understanding the tax rules and knowing the benefits, you can help to ensure that you will have financial freedom long after you retire or begin a new chapter in your life.

## Structuring your fees is smart

What are you saving for?

- Is it your retirement?
- Is it your child's education?
- The purchase of a second home?
- Leaving a lasting financial legacy?
- Maybe it is all of these.

Whatever your answer is, we can help you get there. Fortunately, there is an alternative tool at your disposal and it is easier to use than you think.

Structuring your fees allows you to plan and prepare for long-term personal and professional financial goals. In fact, many of the same benefits offered to your clients in the form of structured settlements are available to you. In addition to the long-term benefits, there are also immediate rewards for structuring your fees.

## Structuring your fees is secure

Structuring your fees ensures that the money will be there when you need it most. Even if there are market downturns and fluctuations your money will be secure in the annuity. There are no age requirements for payments to begin and the payouts will remain predictable regardless of market performance.

Together, American General Life Insurance Company and The United States Life Insurance Company in the City of New York have written more structured settlement annuities than any company in the nation. The money you structure is safe and secure.

## Benefits to structuring your fees

- **Tax benefits:** Tax-deferred benefits provide financial options
  - Structuring fees may reduce your taxable income
  - By deferring income until later in life, you may be able to take advantage of a lower tax rate
  - Taxes will not be incurred until you actually receive or constructively receive the annuity payments<sup>2</sup>
- **Flexibility:** Structure your payout according to your needs
  - Regimented payments for peace-of-mind
    - Supplement retirement income
    - Steady income stream for business overhead costs
  - Savings vehicle
    - Can be structured like a bond with periodic payouts and a return of principal at the end of the term
- **Lump-sum payouts** for necessity or reward items (if scheduled at the time of settlement)
  - College tuition costs
  - Mortgage reduction or pay-off
  - Dream vacation or luxury item
- **Hassle-free planning** with long-term rewards
  - The receipt of an annuity does not require a financial planner
  - Prevents dissipation of large case payouts



<sup>1</sup> This brochure is provided for informational purposes only. It does not provide a full discussion of issues associated with attorney fee structures. Please consult your personal tax advisor for specific questions.

<sup>2</sup> Priv. Ltr. Rul. 200836019 (June 2 2008). However, Private Letter Rulings may not be cited or relied upon as precedent. See IRC §6110(k)

## Structuring your fees is permitted

For more than two decades, there has been legal precedent for structuring attorney fees. In *Childs v. Commissioner*<sup>3</sup>, annuities were purchased to fund periodic payments to both plaintiff and attorney, including an assigned annuity under IRC § 130, and annuities purchased and owned by the Defendants. In both transactions, the Court ruled that the payments due to the attorney were unsecured and not includable in income under IRC § 83 in the year the settlement was executed. The Court also ruled that the doctrine of constructive receipt did not apply because the attorneys had no right to receive their fees prior to the time the agreement establishing a structured settlement became effective.

To ensure that it adheres closely to the opinion of the Court in this case, AIG follows the ruling. The attorney's reliance on a company's promise to pay benefits, without having any ownership interest (i.e. secured creditor) in the annuity contract, is of paramount importance in order for the attorney to receive the tax deferral benefits.

What do you need to do?

Let the hard work you are doing today continue to reward you well into the future. For more information and examples on structuring your fees visit [www.structuremyfees.com](http://www.structuremyfees.com) or contact us to learn more.

### Contact information

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## Financial Strength Ratings for American General Life Insurance Company and The United States Life Insurance Company in the City of New York

Agency	Rating	Definition (As of 06/02/2016)
Standard & Poor's	A+ (Strong) <sup>1</sup>	Companies rated A have strong financial security characteristics, but are somewhat more likely to be affected by adverse business conditions than are insurers with higher ratings.
Moody's	A2 (Good) <sup>1</sup>	Companies rated A offer good financial security. However, elements may be present that suggest a susceptibility to impairment sometime in the future
A.M. Best	A (Excellent) <sup>1</sup>	Companies rated A have an excellent ability to meet their ongoing financial obligations to policyholders
Fitch	A+ (Strong) <sup>1</sup>	Companies rated A have low expectations of default risk. The capacity for payment of financial commitments is considered strong. This capacity may, nevertheless, be more vulnerable to adverse business or economic conditions than is the case for higher ratings

### <sup>1</sup> Outlook Stable

AGL and US Life have received strong financial strength ratings from independent ratings agencies, reflecting its financial stability and its ability to meet its obligations to its policy holders and others. For detailed information on specific insurer ratings please visit [www.aig.com/lifeinsurance](http://www.aig.com/lifeinsurance).

Ratings are current as of 06/02/2016 and subject to change at any time. Standard & Poor's 21 ratings are a measure of claims-paying ability and range from AAA (Extremely Strong) to R (Regulatory Action). Moody's Investors Service's 21 ratings are a measure of financial security and range from AAA (Exceptional) to C (Extremely Poor). A.M. Best's 15 ratings are a measure for claims-paying ability and range from A++ (Superior) to F (in Liquidation). Fitch Ratings' 21 ratings are a measure of insurer financial strength and range from AAA (Exceptionally Strong) to C (Distressed). Only the fixed account protection features, income payments, and guarantees are backed by the claims-paying ability of the issuing insurance company.

<sup>3</sup> 89 F.3d 856 (11th Cir. 1996)

Policies issued by American General Life Insurance Company (AGL) except in New York, where issued by The United States Life Insurance Company in the City of New York (US Life). Issuing companies AGL and US Life are responsible for financial obligations of insurance products and are members of American International Group, Inc. (AIG). Guarantees are backed by the claims-paying ability of the issuing insurance company. Products may not be available in all states and product features may vary by state.

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