

TAX ANALYSIS

COMPARISON OF A CASH SETTLEMENT TO A STRUCTURED SETTLEMENT

Prepared for: **John Doe**

CASH SETTLEMENT

Amount Invested	\$300,000
Assumed rate of interest on investment	2.90%
Government Bond Term	20 years
Annual Interest Income	\$8,700
Additional Annual Income Earned	\$0
LTD Benefit received	\$0
Total Annual Income	\$8,700
Taxable Annual Income	\$8,700
Income Tax Due- Estimated @ 22.05%	\$1,918
Net Spendable Income	\$6,782

STRUCTURED SETTLEMENT

Amount Invested	\$300,000
Monthly Structured Settlement income	\$1,060.96
Annuity Term period	20 years
Annual Structured Settlement	\$12,732
Additional Annual Income Earned	\$0
LTD Benefit received	\$0
Total Annual Income	\$12,732
Taxable Annual Income	\$0
Income Tax Due-	\$0
Net Spendable Income	\$12,732

At the end of 20 years, the Structured Settlement allows for a \$300,000 return of capital tax-free

The result is, the Structure pays \$5,950 more per year spendable dollars 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 \$119,000.

Keep in mind that the Structure payments usually flow on a monthly basis whereas the interest income on the cash settlement is payable only on an annual or semi-annual basis in arrears.

Any additional income earned will only make the differential between the structure and the cash settlement more dramatic.