



structured **settlement vs** *variable* **annuity**

Issue/Concern	Structured Settlement	Variable Annuity
What types of securities/insurance products support the payments?	A fixed annuity contract issued by a life insurance company.	A variable annuity contract issued by a life insurance company. Consists of two stages: accumulation and payout. Assets may be invested in variable income options and/or in fixed interest accounts to seek interest or capital appreciation.
Can this option provide a stable, lifetime income?	Yes. Payments and distribution schedule are determined up front. Can provide a dependable, predictable income stream that you cannot outlive.	No income until you select an annuitization (i.e., payout) option. Usually paid as a lump sum or an income stream of lifetime payments.
Is there a guarantee with this option?	Yes. The annuity issuer guarantees payments as provided by the terms of the structured settlement agreement. Guarantee is based on the claims-paying ability of the issuer.	If a variable payment is elected, the amount of the benefit will depend on underlying investment performance. If a fixed payment is elected the annuity issuer guarantees a monthly benefit amount as defined by contract terms.
What are the costs and fees associated with this option?	No additional cost to annuitant.	Costs may include front and back-end sales charges, mortality and expense charges, management fees, and other applicable expenses.
Will this option keep pace with inflation?	A cost of living adjustment (COLA) feature is available that can help offset the effects of inflation. This option must be elected when the settlement is designed.	Return (and thus the amount available for payout) depends on the performance of underlying investments.
What are the tax consequences?	Income provided by a qualified structured settlement is TAX-FREE , provided the damages received as periodic income (other than punitive damages) are the result of personal physical injuries or physical illness or wrongful death.	Earnings accumulate tax-deferred during the accumulation phase. During the payout phase, payments consist of principal plus earnings. Liquidation of earnings is subject to ordinary income tax and if taken prior to age 59½, a ten-percent federal penalty may apply.
Is this option affected by market fluctuations?	No. Benefit payments are determined and fixed.	Yes. Investment performance will affect the payout amount.
Can I make changes to this option after I select it?	No. Payment amount and schedule are fixed and may not be changed or accelerated.	Most variable annuities provide for withdrawal of a specified amount free of charge. Withdrawals in excess of that amount may trigger surrender charges. Liquidation of earnings is subject to ordinary income tax and, if taken prior to age 59½, a ten-percent federal penalty may apply.