



FAQ: Secondary Market Annuities

Frequently Asked Questions
About This Little Known
High Yield, Fixed Income
Safe Money Alternative



What Are SMAs? SMAs Are Guaranteed Receivables

- Secondary Market Annuities generally originate as compensation for damages paid over time.
 - Compensation includes income streams and lump sum awards
 - Known as Structured Settlements
- Settlements are funded with period certain annuities from top-rated carriers.
 - Settlements are tax free awards
 - Payees do not own the annuity, they simply receive the payments
- Times Change, And People Sell Their Payment Rights
 - Factoring companies, like 1-800-Cash-Now, JG Wentworth, Peachtree, etc
 - Selling payees sell their payments at a discount. Discount = High Yield For Buyers
- SMA purchasers become the New recipient of these Existing, in-force payment streams
 - Court ordered and legislated process in each state.



Who Makes The Payments? Top Insurance Carriers

Top 10 Carriers, From Recent Sampling of 550 cases

MetLife



THE COMPANY YOU KEEP®

**BERKSHIRE
HATHAWAY**

Genworth 

Carrier	A.M. Best	S&P	% of Cases
MetLife	A+	AA-	19.41%
Prudential	A+	AA-	10.81%
Allstate	A+	A+	8.97%
American General	A+	A+	7.69%
Hartford	A-	BBB+	6.78%
Pacific Life	A+	A+	4.95%
Genworth	A	A-	4.76%
New York Life	A++	AA+	4.76%
Symetra	A	A	3.85%
John Hancock	A+	AA-	3.30%
Total			75.27%



What Are The Benefits of Purchasing SMAs?

- SMA rates are higher than traditional guaranteed products
 - Sellers sell payments at a Discount
 - Discount Rate is the Effective Rate of Return (Internal Rate of Return, or IRR)
 - Current rates on SMAs range from approximately 3.5% to 6% depending on the maturity of the specific contract.
- Low Fees/ Highly Efficient/ Zero Volatility/ Zero Market Correlation
 - No ongoing administrative, investment management, or other fees.
 - Only costs are nominal payment servicing and IRA fees if applicable
 - No market risk, no volatility



Additional Benefits

- SMAs can be purchased with both qualified and nonqualified funds
 - Self Directed IRA, 401K rollovers OK
- SMAs are guaranteed, contractual obligations, not projected returns.
 - Take the guesswork out of planning
- Guaranteed SMA payments transfer to the buyer's beneficiaries
 - Fixed, absolute payments for purchaser or heirs. No loss of principal to insurance carrier
- SMAs are not well-known to the public or to many financial advisors.
 - Unique opportunity for investors, and important point of differentiation for advisors.



How Do SMAs Compare To Safe Money Alternatives?

- CD's and Lump Sum/ Zero Coupon
 - 5 Year CD Rate – 1.37%.
 - 5 Year Lump Sum SMA Rate – 4%
- Fixed Annuity
 - 5 Year Fixed Annuity Example Rate – 3.15%.
 - 5 Year SMA Rate – 4%
- Bonds
 - 20 Year Corporate Bond with Balloon- +/- 4%, Varies with Credit
 - 20 Year SMA Income + Lump Sum- 5%+, W/ Generally Higher Credit Quality
- Period Certain Annuities
 - Primary annuity with 20 year guaranteed payments, 2.3% Effective Rate
 - SMA with 20 Year Guaranteed Payments, 4.5% Effective Rate

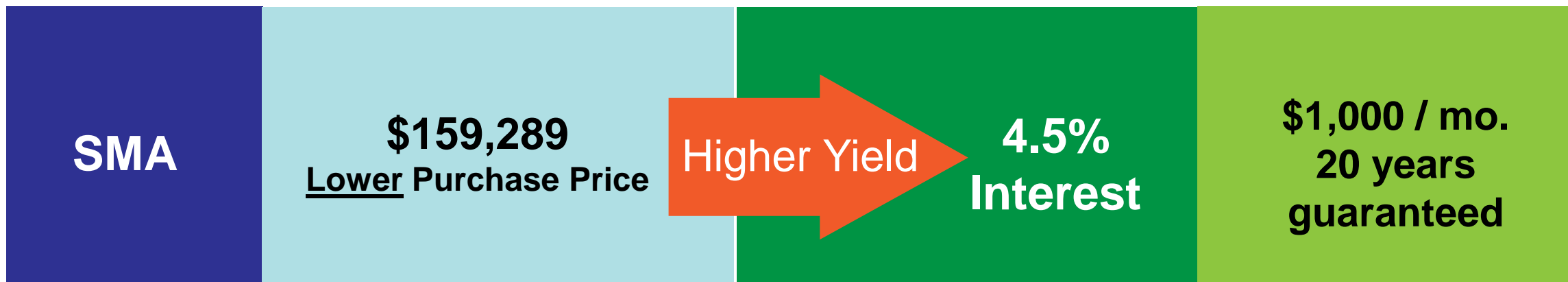
**Industry sampling of rates as of 7/2014*



Why Does A Higher Yield Mean A Lower Price?



SMA Offers Savings of \$32,282



*\$1,000 per month guaranteed for 20 years, for immediate annuity, joint life, 75 years old California couple vs. SMA.
Rates as of 7/2014 & subject to change.*



What Are Some Uses For Secondary Market Annuities?

- Retirement Income
 - Immediate Income Cases
- Target Date Income
 - Deferred Income Cases
- Guaranteed Lump Sums
 - CD Replacement
 - Legacy Planning, College Planning
 - Gifting, Principal replacement with income stream to mimic bonds
- Users: Individuals, Advisors, Endowments, Pensions, Institutions, Family Offices, College Planning, Associations, Capital Needs Planning....



Who Uses SMAs? Fill Retirement & Financial Goals

"I want guaranteed income of \$5000/month lasting for 10 years, starting in 2021..."

What Are Your Goals?



"I want to pay my granddaughter's college tuition with \$250,000 when she turns 22 in the year 2030"

"I want safe appreciation on my \$250,000 IRA for 20 years..."

"I want my 4 kids to each inherit \$100,000 from me, in 15 years."



Can I Use My IRA To Buy An SMA?

- Need to Utilize a Self Directed IRA Custodian
 - We have three options, with discounted fee agreements
 - Gold Star Trust Company goldstartrust.com
 - Provident Trust Company trustprovident.com
 - IRA Services iraservices.com
- Indicate on purchase order if Qualified or Non Qualified Funds
 - Best to open IRA prior to reservation.
 - Buyer Title is '{IRA Custodian FBO {Client Name IRA}}'
- Must commence funds transfer from current custodian to SDIRA upon reservation, as this process can take 30+ days



What Are Inventory Terms and Purchase Amounts?

- Amount:
 - The majority of SMAs are \$50,000 to \$250,000, but some are over \$1,000,000
- Term/Maturity:
 - Generally 5 to 35 years of total length, with most 10-20 years
 - NOT a marketplace to find short term solutions, under 5 years
- Types:
 - Immediate Income (Starting Within 2 years)
 - Deferred Income (Starting Later Than 2 Years)
 - Lump Sums (Short Term Within 10 Years, Long Term More than 10 Years)
- Availability
 - In Stock- Close within 1-2 days
 - Pre Order- close in 30-60 days



How Do I Read The Inventory Page?

PRE-ORDER IN STOCK RESERVED COMPACT VIEW

Inventory Changes Throughout The Day

IMMEDIATE INCOME STREAMS

TERM	INVESTMENT	RETURN	PROVIDER	RATE	CODE	STATUS	+
9 years	\$73,453.06	\$93,600.00	Genworth	3.973%	HUB-B041514A	In Stock	+
14 years	\$118,549.95	\$158,770.04	MetLife	4.273%	HUB-A051414B	In Stock	+
14 years	\$36,359.25	\$51,321.60	MetLife	4.229%	HUB-M040314A-1	In Stock	+
15 years	\$46,350.37	\$63,000.00	Prudential Life	4.284%	HUB-B051214A-1	Pre-Order	+
16 years	\$60,005.73	\$86,985.09	Continental Casualty	4.354%	HUB-L071014D	Pre-Order	+
18 years	\$761,576.86	\$1,181,571.96	NY Life	4.482%	HUB-L071014C	Pre-Order	+
19 years	\$76,560.67	\$114,000.00	Pacific Life	4.497%	HUB-A061214C	In Stock	+
20 years	\$88,025.12	\$133,100.00	Hartford	4.547%	HUB-GG050514A	In Stock	+
21 years	\$187,757.10	\$316,918.05	Mass Mutual	4.604%	HUB-L061114A	Pre-Order	+
23 years	\$51,888.89	\$84,300.00	Hartford	4.653%	HUB-J031914D-1	In Stock	+
25 years	\$151,141.90	\$331,410.48	MetLife	4.766%	HUB-L062614A	Pre-Order	+
26 years	\$64,750.11	\$161,206.34	MetLife	5.082%	HUB-A071014A	Pre-Order	+
27 years	\$46,282.23	\$81,750.00	Prudential Life	4.792%	HUB-B051214A-2	Pre-Order	+
32 years	\$61,842.12	\$125,650.00	American General	4.948%	HUB-B070114A-1	Pre-Order	+
32 years	\$283,820.77	\$626,033.00	American General	4.969%	HUB-SS061314A-3	Pre-Order	+
32 years	\$299,111.82	\$659,401.44	American General	4.965%	HUB-SS061314A-2	Pre-Order	+
32 years	\$425,615.22	\$939,049.56	American General	4.971%	HUB-SS061314A-1	Pre-Order	+



Inventory View- View Case Details

PRE-ORDER

IN STOCK

RESERVED

COMPACT VIEW

Be Sure To Expand The Case To See Payment Details

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	PAYMENT	FIRST PAYMENT	LAST PAYMENT	SCHEDULE	COLA	ANNUAL PAYOUT RATE
	\$1,300.00	11/27/2017	10/27/2023	72 Monthly		21.238%
	NOTES	Case Complete and In Stock				
	PRICED AS OF	08/01/2014				

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IMMEDIATE INCOME STREAMS

Be sure to expand the case to see payment details



Amortization Schedule

The amortization schedule shows the investment, all payments & rate of return for a specific case.

Typically, purchasers consult their own tax advisors who utilize an exclusion ratio to calculate taxable interest vs return of principal.

John Hancock Case # V041515D-2

Compound Period : Monthly
Effective Annual Rate ... : 5.500 %

CASH FLOW DATA

Event	Date	Amount	Number	Period	End Date
1 Invest	07/10/2014	190,168.95	1	Monthly	07/10/2044
2 Return	08/10/2024	2,210.00	240		

AMORTIZATION SCHEDULE - Normal Amortization

Date	Return	Interest	Net Change	Balance
Invest 07/10/2014		0.00	190,168.95	190,168.95
2014 Totals			190,168.95	
1 08/10/2024	0.00			324,078.61
2 09/10/2024	2,210.00	136,119.66	760.82-	323,317.79
3 10/10/2024	2,210.00	1,449.18	764.22-	322,553.57
4 11/10/2024	2,210.00	1,445.78	767.64-	321,785.93
5 12/10/2024	2,210.00	1,442.36	771.07-	321,014.86
2024 Totals	11,050.00	141,895.91	130,845.91	
6 01/10/2025	2,210.00	1,435.48	774.52-	320,240.34
7 02/10/2025	2,210.00	1,432.02	777.98-	319,462.36
8 03/10/2025	2,210.00	1,428.54	781.46-	318,680.90
9 04/10/2025	2,210.00	1,425.05	784.95-	317,895.95
10 05/10/2025	2,210.00	1,421.53	788.47-	317,107.48
11 06/10/2025	2,210.00	1,418.01	791.99-	316,315.49
12 07/10/2025	2,210.00	1,414.47	795.53-	315,519.96
13 08/10/2025	2,210.00	1,410.91	799.09-	314,720.87
14 09/10/2025	2,210.00	1,407.34	802.66-	313,918.21
15 10/10/2025	2,210.00	1,403.75	806.25-	313,111.96
16 11/10/2025	2,210.00	1,400.14	809.86-	312,302.10
17 12/10/2025	2,210.00	1,396.52	813.48-	311,488.62
2025 Totals	26,520.00	16,993.76	9,526.24-	
18 01/10/2026	2,210.00	1,392.88	817.12-	310,671.50
19 02/10/2026	2,210.00	1,389.23	820.77-	309,850.73
20 03/10/2026	2,210.00	1,385.56	824.44-	309,026.29
21 04/10/2026	2,210.00	1,381.87	828.13-	308,198.16
22 05/10/2026	2,210.00	1,378.17	831.83-	307,366.33



What Is The Purchase Process Of An SMA?

- First, with your advisor, reserve the case.
 - 48 Hr Hold, But Only A Signed Purchase Order Locks Your Reservation
- Depending on the status (pre-order or in-stock), closing may be as little as 2 days, or as long as 60 days from reservation.
- We Supply Closing Book, You Have 2 Days To Review
 - Comprehensive contractual chain of title, including court orders and all contracts evidencing the transfer of the payment rights to you.
 - Includes payment servicing and account administration details.
- Closing Requires Assignment Signature and Wiring of Purchase Price
 - Irrevocable Assignment and transfer of funds completes the purchase.



What Is The Purchase Timeline?

- In Stock cases are already court approved
 - Close as quick as 48 Hours- Review is Complete
- Pre Order cases require court approval + Review
 - 30 to 60 days is typical from reservation to closing
- Approximately 1 in 10 cases are not approved
 - No financial cost to purchaser if case fails, but there is lost time and opportunity



What Are The Documents In An SMA Purchase?

- Purchase Order
- Closing Book
 - Amortization Schedule
 - Irrevocable Assignment
 - Court Order
 - Transfer Acknowledgement Letter Or Stipulation Agreement
 - Original Annuity Documents
 - State Level Disclosures & Seller Background Data
- After Review, Sign Irrevocable Assignment + Servicing Documents
- Case Closes Upon Wire Transfer Of Purchase Price
- Contact Advisor To Request A Redacted Close Book + Sample Documents



Compare SMAs To Lifetime Income Annuities

Not everyone needs Lifetime income.

- Immediate Annuity
 - Potential loss of principal, Lower payouts to joint life
- Index or Variable Annuity With GLWB Income Rider
 - Caps, Participation, Spreads, and Rider Fees, Lower payouts to joint life
- Compare Secondary Market Annuities
 - No Loss Of Principal- Pay To Buyer Or Heirs
 - Guaranteed, Higher Payout, To Single/Joint/Estate
 - No Fees/ No Costs



Common Objections To Lifetime Income Annuities

- Payout Rate Too Low
 - SMA Answer- SMAs Have High, Guaranteed Payout Rates
- Disparity Of Age makes Joint Life Payout Even Lower
 - SMA Answer- SMAs are guaranteed payout, regardless of age or owner
- Don't Want To Risk Losing Principal to Insurance Company
 - SMA Answer- SMAs pay to Buyer or estate, Guaranteed- no risk of loss to carrier
- Need Guaranteed Outcome, Not Projections That Might Not Happen
 - SMA Answer- SMAs Are Guaranteed Payments
- Need Income Now Until Social Security Starts
 - SMA Answer- SMAs Have Defined Terms And Payment Streams
- Family Health History Indicates No Need To Plan to Age 80's or 90's
 - SMA Answer- Period Certain Payments. Lifetime Income May Be Unnecessary



What Are The Potential Risks?

- Transactional Risk- Approximately 1 in 10 cases are not approved in court
 - No financial cost if not approved, however time and lost opportunity.
- Carrier Strength
 - Payments backed by top rated carriers, however SMAs are not FDIC insured or backed by any other federal government agency
- SMAs are subject to interest rate risk
 - The rate of return is locked in once purchased, and can not be adjusted or reset
- SMAs are not typically liquid
 - Payment streams can be sold, but there is not a ready, liquid and fast market. Sales would be subject to prevailing rates at the time of sale, which could result in a loss.



What To Do Next

To Get Started With Secondary Market Annuities:

Watch The Inventory & Lets Us Help You Locate
An Ideal Payment Stream

Contact You Advisor To Reserve A Case

Get Started Today!