

CASE STUDY

STRUCTURING ATTORNEY FEES TO HELP WITH COLLEGE FUNDING



About "Kim"

- **Age:** 40, attorney
- **Family:** Mother to Vanessa, age 8
- **Fee Scenario:** Recently won a case where her fees equaled \$300,000.
- **Financial Goal:** Kim plans to take receipt of the majority of the funds as income, but would like to spread the taxation of a portion beyond the current year. Additionally, she is open to creative ideas to help set aside funds for future college expenses.

Kim previously contributed to a 529 college savings plan, but does have some concerns over the:

- Lack of investment protection
- Current year taxation
- Penalty if used for non-eligible expenses

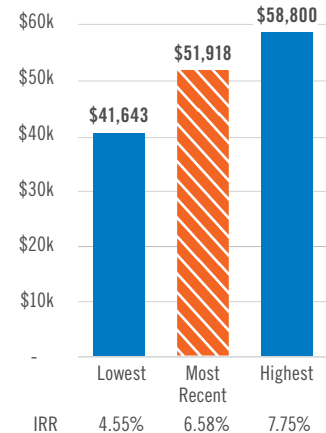
College funding challenges

The cost of college is expensive and keeps rising each year, typically outpacing the rate of inflation.¹ 529 plans are effective vehicles to save for college. Funds contributed to a 529 plan are after-tax dollars that grow tax deferred. 529 plans provide income tax-free distributions for eligible expenses, but there is an IRS penalty when used for non-eligible expenses.

Income Advantage Indexed Structured Settlement[®] as a college savings option

Kim decides to allocate \$100,000 of her attorney fees to an Income Advantage annuity. In doing so, she lowers her taxable income in the current year. These pre-tax contributions grow tax deferred and will be taxed as ordinary income at the time of distribution only, regardless of how the funds are utilized.

Income Advantage payment scenarios²



\$100,000 allocated to **Prudential Income Advantage Indexed Structured Settlement**, with a deferral period of 10 years and a 2-year Index term.

After 10 years of S&P 500[®] linked tax-deferred growth, assuming a **19%** cap rate and using the Most Recent Index Values, the accumulation amount would have grown from \$100,000 to **\$186,489.73**

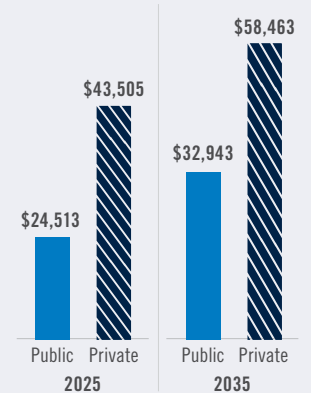
An accumulation amount of \$186,489.73 and a payout rate of **27.84%** for a 4-year period certain would result in annual pre-tax payments of **\$51,918.74** for 4 years.

Income Advantage internal rates of return (IRR) range: 4.55% – 7.75%.



The Income Advantage payments can help serve as a great complement to the distributions from Kim's current 529 plan for Vanessa

Average Annual 4-Year College Tuition & Fees



Average annual college tuition and fees, 4-year Private and Public Non-resident, based on U.S. News and World Report 2024-2025. 2035 tuition and fees are projected assuming a 3% inflation rate.



In this scenario, Income Advantage creates a significant income stream to help provide supplemental college funding

The added flexibility of Income Advantage allows those extra funds to be used with **NO restrictions** for non-eligible 529 expenses such as:



Transportation costs



Insurance



Extracurricular activities



Certain room and board costs



Medical expenses



College application and testing fees

Benefits of Income Advantage as a college savings strategy

- **Growth:** Opportunity to benefit from market-based growth linked to the S&P 500[®].
- **Protection:** 100% protection from market downturns, safeguarding the original premium and accumulated gains from all prior index terms.
- **Security:** Payments are guaranteed by Prudential, a widely recognized and highly rated insurer.
- **Flexibility:** No contribution limits and the ability to use the funds with NO RESTRICTIONS.

Watch this short video to see how Income Advantage may be appropriate for your circumstances.

If you have any questions, please reach out to your structured settlement consultant or attorney.



¹ Trends in College Pricing 2021 - [Collegeboard.com](https://collegeboard.com)

² For illustration purposes only, we're assuming this cap rate will remain unchanged for all subsequent index terms. Hypothetical values are based on a \$100,000 allocation to a Prudential Income Advantage Indexed structured settlement with payments beginning in year 10. Hypothetical example of interest credited and accumulation amounts based on the Lowest Index Growth (1999 – 2008), Most Recent Index Values (2014 – 2023), and Highest Index Growth (1989 – 1998) of the S&P 500[®] index values using assumed cap rates and 0% floor. Your actual results may be higher or lower. Allocation amount does not include assignment fees. For illustration purposes only; the assumed cap rate will remain unchanged for all subsequent index terms. Cap rates may be higher or lower in subsequent terms, but will never be less than the minimum cap rate outlined in the annuity certificate. Subsequent cap rates are impacted by changes in various economical factors. Internal Rate of Return (IRR) is the annual rate of growth that the premium would have had to earn to generate the annualized payment amount. Please speak with your structured settlement consultant for more information.

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