

CASE STUDY

STRUCTURING SETTLEMENTS TO HELP CLAIMANTS WITH COLLEGE FUNDING



About “Kyle”

- **Age:** 8
- **Structured Portion:** \$100,000
- **Financial Goal:** The majority of Kyle’s current expenses are covered; however, the family would like peace of mind knowing that his future college expenses will be met.

While Kyle’s family had previously considered a 529 plan, they find an indexed structured settlement attractive as it provides:

- Protection from market loss
- Tax-free growth and income
- No restrictions on how the funds are used

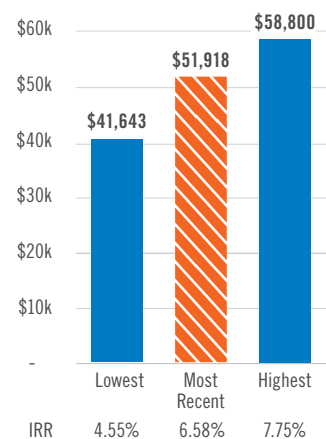
College funding challenges

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 with after-tax contributions that grow tax-deferred. They 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

Kyle’s parents decide to allocate \$100,000 of the settlement to an Income Advantage annuity. This will provide the opportunity for growth linked to the S&P 500® over the next 10 years, until Kyle plans to begin college. Qualified contributions to Income Advantage are funded with income tax-free dollars, grow tax-deferred, and are NOT taxed when distributed, regardless of how they are utilized.

Income Advantage payment scenarios²



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

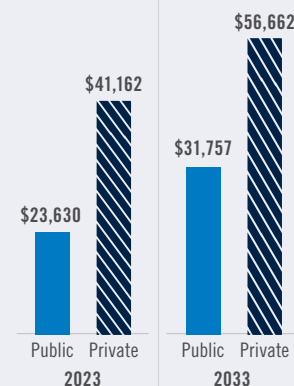
After 10 years of S&P 500® linked income tax-free, assuming a **19%** cap rate and using the Most Recent Index Values, the accumulation amount would have grown from \$100,000 to **\$186,489.73**.

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

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

Income Advantage is funded with income tax-free contributions and provides income tax-free payments in the same manner as a 529 Plan, but with additional flexibility.

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 2023. 2033 tuition and fees are projected assuming a 3% inflation rate.

In this scenario, Income Advantage creates a significant income tax-free income stream to provide supplemental college funding.

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



College tuition



Room and board



Transportation costs



College application and testing



Books and supplies



Medical expenses



Extracurricular activities



Other expenses

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. The payout rate used in this example is hypothetical. The payout rate will vary based on the selected deferral and payout periods, and is set forth on the annuity certificate at the time of purchase. 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 economic 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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