

CASE STUDY

# FUTURE FINANCIAL PLANNING FOR MINORS

A layered approach



## About "Emma"

- **Age:** 5
- Emma suffered an accident that while not resulting in any cognitive impairment, would require her to receive additional care throughout her life.
- **Structured Portion of Settlement:** \$1,400,000
- **Financial Goal:** While intending to utilize most of the settlement for lifetime extra care expenses, the family is also concerned about making sure Emma is well prepared for future events.

Emma's parents want to explore options for growth and protection. Since they are looking long term, they recognize that they may need a multi-layered approach.

As a result, Emma's family explores a strategy that will span decades. They need it to not only help provide Emma with the financial support she needs today, but to also meet her future needs.

## The balancing act

It's important for Emma's parents to consider their daughter's current needs, the impact of inflation over time, as well as her future needs.

### Fixed Costs

- In the case of minors, these are typically essential expenses not covered by the parents or insurance and that don't change too often, except for inflation
- Individuals can leverage a traditional structured settlement with a cost-of-living adjustment (COLA) to match those costs

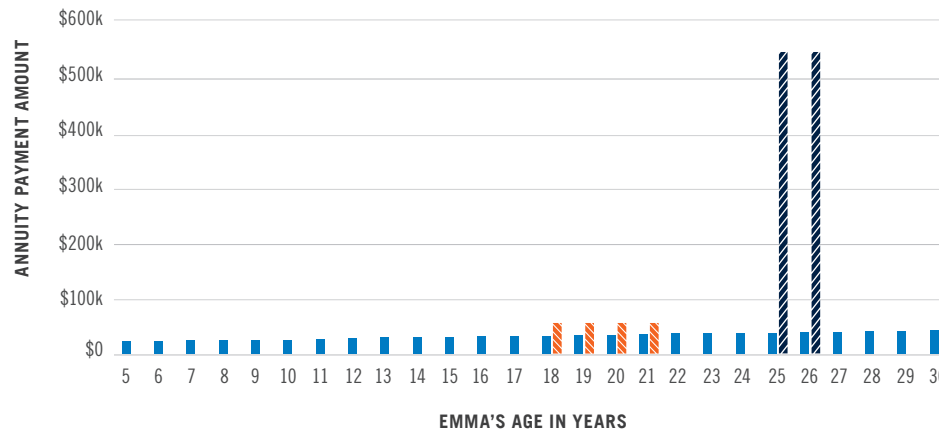
### Future Expenses

- Expenses that are further out, for example funding for college or purchasing a home
- Inflation and future growth potential, along with protection of principal, are the biggest factors when looking out over the longer-term periods

## A layered approach

In the example below, we show how Emma is able use the:

- Traditional structured settlement annuity to provide lifetime coverage for her essential expenses, with a 2% COLA
- Layering of two separate **Prudential Income Advantage Indexed Structured Settlement®** annuities to help cover the future planning needs of college funding and a home purchase



### Income Stream 1: Essential Expenses<sup>1</sup>

- \$1,000,000 premium allocated to a traditional Prudential Structured Settlement
- Emma immediately receives an initial payment of **\$26,548**, increasing 2% per year

### Income Stream 2: College Funding<sup>2</sup>

- \$100,000 premium allocated to **Income Advantage**
- Emma receives four annual payments of **\$61,003** starting at age 18

### Income Stream 3: Home Purchase Fund<sup>3</sup>

- \$300,000 premium allocated to **Income Advantage**
- Emma receives two annual payments of **\$550,112** starting at age 25



## Leveraging Income Advantage to balance Emma's needs

- Traditional structured settlements can provide a solid foundation for the fixed costs. Income Advantage works by not only having embedded guarantees, but also growth potential from market-based returns, without taking on unnecessary risks.
- The traditional structured settlement provides a starting annual income of \$26,548 and increases 2% compounded annually for life, providing **\$126,895** at age 85.
- Allocated \$400,000 to Income Advantage and, at age 27, Emma would have received **\$1,344,231** in total payments.
- Additional flexibility to accommodate future and unforeseen expenses.

## Income Advantage provides

- **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 highly recognized and rated insurer.

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.



<sup>1</sup>Income Stream 1: Hypothetical values are based on a \$1,000,000 allocation to a Prudential life contingency structured settlement with a 2% COLA and payments beginning in year 1. Allocation amount does not include assignment fees and is based on Rate Series PR080624.

<sup>2</sup>Income Stream 2: Hypothetical values are based on a \$100,000 allocation to a Prudential Income Advantage Indexed Structured Settlement with payments beginning in year 13. Hypothetical example of interest credited and accumulation amounts based on the Most recent S&P 500® index values (from 2011 to 2023), using 2-year index terms, aggregate cap rates of 19%, 0% floor and final accumulation amount of \$216,860. Allocation amount does not include assignment fees. Your actual results may be higher or lower. 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. For minimum guaranteed values, please refer to the full illustration, which will be provided upon request and in advance of any purchase of an Income Advantage Indexed Structured Settlement.

<sup>3</sup>Income Stream 3: Hypothetical values are based on a \$300,000 allocation to a Prudential Income Advantage Indexed Structured Settlement with payments beginning in year 20. Hypothetical example of interest credited and accumulation amounts based on the Most recent S&P 500® index values (from 2004 to 2023), using 2-year index terms, aggregate cap rates of 19%, 0% floor and final accumulation amount of \$991,549. Allocation amount does not include assignment fees. Your actual results may be higher or lower. 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. For minimum guaranteed values, please refer to the full illustration, which will be provided upon request and in advance of any purchase of an Income Advantage Indexed Structured Settlement.

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