

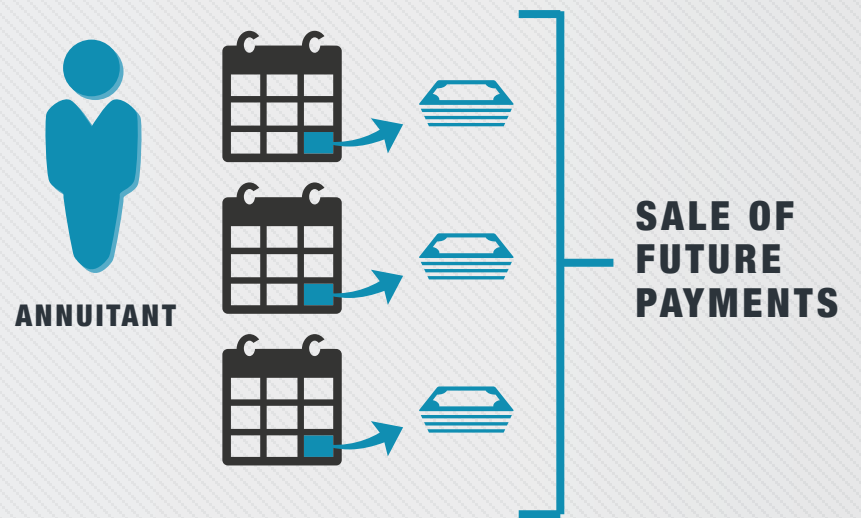
SECONDARY MARKET ANNUITIES

WHAT THEY ARE AND HOW THEY WORK

Provided by Somerset Wealth Strategies, LLC

A secondary market annuity is where a person (the annuitant) owns annuity payment rights and wishes to sell a portion or all of them.

Usually these payments are the result of a personal injury or wrongful death lawsuit and subsequently there is a settlement appropriately referred to as a **Structured Settlement**.



1 JUDGE APPROVAL AND COURT ORDER



When an annuitant wishes to sell any portion of their payments the law requires that they must go to court and get approved by a judge. Assuming the judge approves the sale and transfer of payments, a **Court Order** is issued under 26 USC§ 5891.

2 TITLING

In addition to very specific details of the exact payments being sold the court order contains the **Titling** for the new owner. In most cases this is usually a non-natural person called an **Entity**.

3 ASSIGNING PAYMENTS TO AN OWNER

The Entity, also known as the **Nominal Owner** has no rights to the payments and therefore must have an **Assignment** that goes to the investor (you). The assignment is also known as the **Beneficial Owner**. Every assignment is either in your name as an individual or in the name of an entity or trust that you control, hence the payments belong to you as the **Assignee**. Having the assignment in your name means you are the rightful bona-fide owner of the payment(s), which also means you have full collateral and your investment is fully secured.



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GLOSSARY OF TERMS:

Assignee

A person to whom a right or liability is legally transferred.

Assignment

The transfer of property; especially the transfer of property to be held in trust or to be used for the benefit of creditors.

Beneficial Owner

A person who enjoys the benefits of ownership even though the title is in another name.

Court Order

An official proclamation by a judge (or panel of judges) that defines the legal relationships between the parties to a hearing, a trial, an appeal or other court proceedings.

Entity

An entity is a person, department, team, corporation, cooperative, partnership, or other group with whom it is possible to conduct business.

Nominal Owner

An individual or entity registered as the owner of record of investments for the benefit of another party, e.g. when customer securities are held in street name, a brokerage firm will be the Nominal Owner.

Non-Natural Owner

The owner of an annuity contract that is not a person but is an entity such as a trust, a partnership, or a corporation.

Special Purpose Vehicle/Entity - SPV/SPE

Also referred to as a "bankruptcy-remote entity" whose operations are limited to the acquisition and financing of specific assets. The SPV is usually a subsidiary company with an asset/liability structure and legal status that makes its obligations secure even if the parent company goes bankrupt.

Structured Settlement

A financial or insurance arrangement whereby a claimant agrees to resolve a personal injury tort claim by receiving periodic payments on an agreed schedule rather than as a lump sum.

Titling

The right to the ownership and possession of any item that may be legally recognized as belonging to someone or something. In its most basic sense, title is the recognition of ownership.

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