

The Consumer Financial Protection Bureau is a government agency built to protect consumers. Our free resources help you have the information you need to make informed financial decisions.

What should I know before giving up my monthly disability, personal injury or structured settlement payments in exchange for a one-time lump sum payment?

WARNING

You could receive much less cash than your settlement is worth. Dealing with companies that offer lump sum payments for your disability, personal injury or structured settlement payments can be very risky. Some companies target people with disabilities who have structured settlements. If you receive a flyer or solicitation promising fast cash or a lump sum payment for your monthly payments, be aware! Consider all options, including talking to people you trust with your finances, or your own lawyer or financial counselor, before trading your future payments for instant cash.

What is a structured settlement? A structured settlement pays out regular tax-free payments for a specified length of time. A traditional settlement is generally paid out in one payment. A structured settlement protects you from immediately spending your entire settlement at once and assures you receive monthly income for a specified period of years. These structured settlements occur after you have made a personal injury claim and have settled or won your case.

Structured settlement payments can contribute to long-term financial stability and help ensure that you have a steady flow of monthly income. Sometimes these payments are called disability payments since you receive money for injuries. However, these structured settlement payments are not Social Security Disability Insurance or Supplemental Security Income payments.

Who wants your structured settlement payments? Some companies aggressively market “cash now” deals to people with structured settlements. These companies make money by getting your structured settlement for much less than what the total settlement is worth over time. The companies will want you to give up the entire amount of your structured settlement or a portion.

What happens when you give up your structured settlement? Usually, you get one lump sum payment upfront. However, you’re permanently giving up your right to receive your payments under the structured settlement. The lump sum will be much less than you would get in regular payments over time from your structured settlement. The payments you would have received go to the company that took over your structured settlement and you won’t be entitled to any more monthly payments.

For example: let’s say you have a structured settlement with all future monthly payments totaling \$50,000. The value right now of all of those future payments in today’s dollars is \$40,000. If the company offers \$15,000 for your structured settlement, you are basically giving the company \$25,000 of your money, as well as giving up the assurance of receiving monthly income for a number of years.

Why not take a lump sum? It can be a bad deal for you because you may be getting a lot less money than you would get over time. By giving up your structured settlement, you are signing over the right to these guaranteed payments and money that you may need for your monthly expenses for the one-time benefit of receiving a lump sum. Potential risks to taking a lump sum include: spending your lump sum payment quickly and not having money for living expenses later; losing it in an investment; or someone trying to take or borrow the money from you.

Monthly payments don’t have those risks. Monthly payments may give you the needed stability to manage your finances, to pay your rent or mortgage, and to pay your bills. Take a hard look at your ability to manage money before you accept one of these deals. Make sure you have a plan in place for how you will pay your monthly expenses without the benefit of monthly payments from your structured settlement.

Get answers before you consider giving up your structured settlement payments:

- **Do you have other options?** If you are having trouble paying your bills and see a lump sum payment as an opportunity to get out of debt, first contact your creditors to see if you can work something out. If you have hospital bills, check and see if your hospital has a “charity care” program or a way of providing free or reduced prices.

- **What are the costs?** Get a written statement with the following information from the company that wants your structured settlement:
 - the total dollar amount of all your remaining monthly payments;
 - the value in today's dollars of that total dollar amount;
 - the number of payments remaining;
 - how much you would receive as a lump sum;
 - all fees, interest or discount rate, and costs.
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TIP

Get a second opinion or an independent evaluation from a trusted source, your own attorney, or a financial adviser. Be cautious of recommendations from the company trying to get your structured settlement.

- **What's the cancellation policy?** Depending on your state law, you may have the right to cancel or rescind the agreement within a certain time frame, even after you signed. Get your cancellation rights in writing before you consider signing.
- **Do you have to pay taxes?** Your monthly structured settlement payments may be tax-free. Receiving a lump sum payment may have tax implications. Consult a tax advisor before signing.
- **Will there be an impact on public benefits?** If you receive public benefits, or plan to in the future, getting a lump sum payment may impact your eligibility. Check with your lawyer, your local legal aid office, or the department that administers those benefits.
- **Do you have rights under your state law?** Nearly all states require a judge to approve the agreement to give up a structured settlement. These states may require a judge to decide if the agreement is in your best interest or is necessary, reasonable, or appropriate. Your state law may provide for certain disclosures to be made before you sign. You should think hard about whether this is a good deal for you.
- **Are there complaints about the company?** Check with your state Attorney General's Office or [state consumer protection office](#) . Check and see if the company is licensed to do business in your state.

What if I want more help?

- Consider contacting the lawyer who represented you in the disability or structured settlement matter. That lawyer may be able to advise you.
 - View this list of lawyer resources from the [American Bar Association](#). You can find legal help from your legal aid office or volunteer attorney program [here](#).
 - A non-profit credit counselor may be able to help you weigh your options. The National Foundation for Credit Counseling [provides a list of member agencies around the country](#). You can also search for [local credit counseling agencies](#) on the Association of Independent Consumer Credit Counseling Agencies website.
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