AnnuityAdvantage

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Secondary Market Annuities

Primary Benefit: Get Income Now

Secondary Benefit: Guarantee Future Income

Secondary Market Annuities (SMAs) are created when the current owner of a structured settlement, period certain immediate annuity or lottery winnings sells their future stream of payments for a lump sum, at a discounted price.

The majority of secondary market annuity transactions involve structured settlement payments that were awarded for damages or as a result of personal injury. It is not uncommon, at some point in the payment process, for settlement recipients to come to the decision that they do not want to wait for years to receive their entire payouts. Selling their future payment stream into the secondary market is one of the only options available to receive a lump sum in advance of their defined payment schedule.

Investors can purchase these secondary market annuities from the original owner, usually with the involvement of some type of intermediary, and have the future stream of payments assigned to them. The yields available with secondary market annuities are typically slightly higher than can be obtained when purchasing a primary market fixed annuity.

Does AnnuityAdvantage Offer Secondary Market Annuities?

The short answer is no, we do not offer secondary market annuities to our clients. But further explanation may be helpful in broadening your understanding as to why.

The lure of Secondary Market Annuities is that they offer interest yields several percentage points above what is currently available in the primary, directly issued fixed annuity marketplace. We have come to the conclusion that this extra yield comes with added risk and complications that are not suitable for the majority of our clients.

Here are some of the issues regarding Secondary Market Annuities that have brought us to this conclusion:

1) It is a completely unregulated industry. No licensing whatsoever is required in order to sell SMAs. That is the opinion of several of the largest marketers of the product. It is possible to have completely unregulated and inadequately trained individuals making claims and promises that may or may not be accurate. There is currently no regulatory body making sure things are handled in an appropriate way.

2) The purchase process is typically long, drawn out and complicated. A judge's approval, via a court order, is required. Also, the issuing insurance company must recognize and approve the change. We've witnessed numerous investors commit to buying a secondary market annuity, then expend a great deal of time and effort to make it happen, only to have something beyond their control go wrong, causing the deal to fall apart before the purchase could be finalized.

3) An investor cannot structure the payment stream to meet his/her individual income needs, either to the amount or the timing of the payments. In other words, the payment stream is predetermined in advance by a court order, structured in the best interest of the original settlement owner, and those terms cannot be changed. At AnnuityAdvantage, we strive to create income strategies that are custom tailored to our client's individual needs, rather than the reverse of that, trying to force our client's needs to an income structure that is disconnected and predetermined in advance.

4) Unlike primary market (directly issued) fixed annuity products, your **state guaranty association** provides NO coverage for secondary market annuities (SMAs).

It is for these, and many other reasons that we have decided not to offer Secondary Market Annuities to our clients. If you are considering the purchase of a Secondary Market Annuity, our advice would be, DON'T. But if you still desire to proceed, please do your homework, be prepared for potential bumps along the way and by all means, seek the advice of a qualified financial professional that specializes in these types of transactions.