



structured **settlement vs** *municipal* **bonds**

Issue/Concern	Structured Settlement	Municipal Bonds
What types of securities/insurance products support the payments?	A fixed annuity contract issued by a life insurance company.	Debt instruments issued by state or local government entity to finance capital expenditures.
Can this option provide a stable, lifetime income?	Yes. Payments and distribution schedule are determined up front. Can provide a dependable, predictable income stream that you cannot outlive.	Since the coupon—or rate of payment—of the bonds is known in advance, investors may have a reliable income stream (see guarantee section below). Bond must be held to maturity to receive the face value, or pay amount, of the bond.
Is there a guarantee with this option?	Yes. The annuity issuer guarantees payments as provided by the terms of the structured settlement agreement. Guarantee is based on the claims-paying ability of the issuer.	Interest is guaranteed only for the initial investment period. If interest rates fall, fixed maturity dates may force investors to reinvest principal and any accrued interest at a time when interest rates are low, shrinking their income. Municipal bonds may have a “call” feature, allowing them to be redeemed prior to the stated maturity date. Bonds are usually called early when interest rates have fallen, effectively refunding investor principal at a time when reinvestment options reflect lower rates.
What are the costs and fees associated with this option?	No additional cost to annuitant.	Issued at face value.
Will this option keep pace with inflation?	A cost of living adjustment (COLA) feature is available that can help offset the effects of inflation. This option must be elected when the settlement is designed.	Does not provide a hedge against inflation.
What are the tax consequences?	Income provided by a qualified structured settlement is TAX-FREE , provided the damages received as periodic income (other than punitive damages) are the result of personal physical injuries or physical illness or wrongful death.	Generally, interest is exempt from federal income tax. May also be exempt from state and local taxes in state of issue .
Is this option affected by market fluctuations?	No. Benefit payments are determined and fixed.	Yes. Value will be affected by interest rate fluctuations and municipality’s stated call options.
Can I make changes to this option after I select it?	No. Payment amount and schedule are fixed and may not be changed or accelerated.	Yes. If sold or redeemed prior to maturity, value is subject to market conditions. Investors may receive more or less than they paid, resulting in a potential capital gain or loss.

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