Common Reasons for Selling an Annuity

Job Loss
Method Emergency
Umbrella Change

Process for Selling an Annuity

1. Research Annuity Purchasers

Start by shopping around for the right annuity buyer. Beware of unethical practices and fraud.

2. Get a Quote

Once you receive a quote, you must complete paperwork to allow buyers to access your annuity contract.

3. Submit Your Payment

Your quote should have a low incentive for you to keep as much of your money as possible. The average discount rate is 12 percent.

4. Present Your Case Before a Judge

If you're selling a structured settlement, there is one more step. A brief hearing to obtain court approval of your transfer must take place.

Partial vs. Lump Sum Sale

Partial Sale
A partial annuity sale allows you to sell a portion of your annuity payments for a lump sum of cash.

Example 1:

Year 1: $10,000
Year 2: $10,000
Year 3: $10,000

Total: $30,000

Example 2:

Year 1: $20,000
Year 2: $20,000
Year 3: $20,000

Total: $60,000

Lump Sum Sale
A lump sum sale allows you to sell a specific dollar amount of your structured settlement or annuity instead of a set number of payments that might not be the amounts you need.

Example 1:

$50,000 = Present Value (Initial)

Example 2:

$60,000 = Present Value (Initial)

Why You're Not Receiving the Full Value

When someone purchases your future payments, it's not a dollar for dollar exchange because the current value of your contract rarely matches that amount over a long period of time. This is modified by a concept called the time value of money.

Time Value of Money
A dollar in hand is worth more than a dollar in the bank because of its future earning potential.

Discount Rates
Annuity buyers use discount rates to account for the time value of money and make a small payment for giving you what you need.

References

Annuitization:
Promote financial security for the rest of your life. Living longer means more needs to be funded. Present your case before a judge.

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Part of the Process for Selling an Annuity

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