

Understanding Structured Settlements



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Financial Solutions for Unexpected Events



Comprehensive profiling and creating customized strategies are at the heart of our commitment to clients.

No matter how prepared you may be, unfortunate situations can occur that require highly specialized services. That's why we offer a complete range of financial services, from wealth management to investment planning and including Structured Settlements, which may be appropriate for individuals who require periodic payments over time.

What Is a Structured Settlement?

A Structured Settlement is a voluntary agreement that is sometimes used to settle a claim or lawsuit involving an injured or deceased person. It provides for a party to receive compensation in the form of a series of periodic payments made over time instead of a lump-sum payment. These payments may be designed to cover medical, living or other expenses.

A Structured Settlement may be agreed to privately (e.g., in a pretrial settlement) or may be required by a court order, as in judgments involving minors. A Structured Settlement is not appropriate for everyone. Because the decision to use a Structured Settlement is irrevocable after it is made, it should only be made after consulting with legal, tax and other financial advisors.

Neither UBS Financial Services Inc. nor its employees provide tax or legal advice. You should consult with your tax and legal advisors regarding your personal circumstances.

The tax treatment of a Structured Settlement, like all settlements for personal injury, is governed by Sections 104(a)(2) and 130 of the Internal Revenue Code "IRC".

Under IRC Section 104(a)(2), "...gross income does not include... the amount of any damages (other than punitive damages) received (whether by suit or agreement and whether as lump sums or as periodic payments) on account of personal physical injuries or physical sickness..." This is true whether the settlement amount is received as a lump sum or as periodic payments. The difference is that a Structured Settlement that meets the criteria set forth in IRC Section 130 permits the earnings to be tax-free if the payments are fixed and determined at the outset of the arrangement. This is a key consideration when considering Structured Settlements.

Flexible Payments

Designed to meet the financial needs of the injured or of the family of a deceased person, a Structured Settlement can be tailored to provide a steady stream of payments.

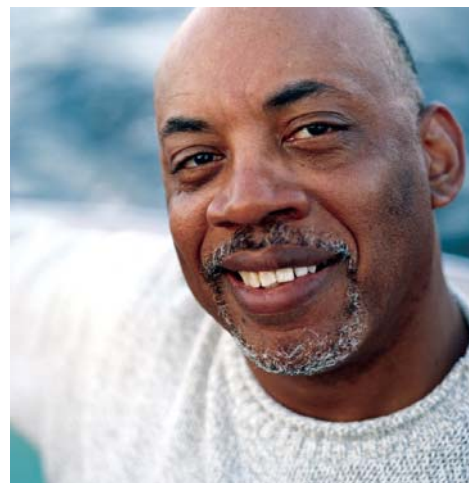
Under a Structured Settlement, payments may be:

- Scheduled for any length of time, including for the lifetime of the injured party alone or in conjunction with a spouse's lifetime
- Adjusted for inflation
- Set up to include future lump-sum payouts for items such as medical care or equipment, expenses for children, retirement or other anticipated needs

In short, a Structured Settlement may be appropriate for clients who would benefit more from periodic payments than from the receipt of a lump sum.

Structured Settlements can provide certain advantages over cash settlements, particularly in cases involving:

- Wrongful death, when the surviving family has income needs formerly met by the decedent's salary
- Permanent disability
- Minors or incompetent individuals needing guardians
- Recipients who may have limited financial experience



Payments provided through a Structured Settlement are designed to provide steady tax-free income over a period of years.

How Are Structured Settlements Funded?

Payments typically are provided through a Structured Settlement annuity, a type of financial contract issued by an insurance company, which is designed to be a steady and consistent tax-free source of income over a period of years. One major benefit of a Structured Settlement is that the income received from it is tax-free. In contrast, income received from investment of a cash settlement generally is taxable. The tax benefits of a Structured Settlement should be discussed with your tax advisor.

In setting the terms of a Structured Settlement, attorneys for interested parties negotiate issues such as providing for future medical care, basic living expenses and family financial needs of the injured individuals or their surviving families.

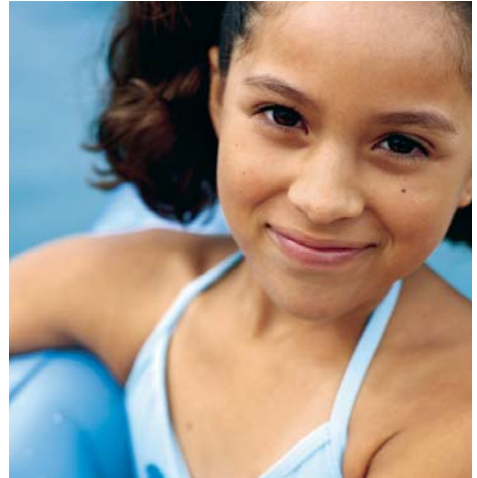
Experts may be brought in to calculate the long-term costs of these needs. After the benefits payable to the injured party or the surviving family have been agreed upon, the defendant must then agree to fund periodic payments to meet these needs.

Generally, the defendant will fund a Structured Settlement by purchasing an annuity that will generate the required periodic payments. An important factor in evaluating a Structured Settlement funded by an annuity is the financial strength of the insurance company that will issue the annuity. This helps assure that the required payments will be made for the duration of the contract.

Planning for the Future

It is important to include a lawyer, along with other tax and financial advisors, in the settlement negotiations. These professionals will be able to explain any additional details that might apply and make sure that no potential benefits are overlooked.

When done properly, a Structured Settlement can provide dependable income, which helps to ease at least some of the financial burdens suffered by the injured or the family of the deceased party.



A Structured Settlement can provide dependable income, helping to ease at least some of the financial burdens suffered by the injured party and his or her family.

Annuities are made available by insurance-licensed subsidiaries of UBS Financial Services Inc. through third-party insurance companies unaffiliated with UBS Financial Services Inc.

The Skills and Experience of Our Firm

As a full-service securities firm, UBS Financial Services Inc. can help to pursue the highly specialized needs of clients for whom a Structured Settlement may be appropriate. Offering a complete range of financial services from wealth management to investment planning and selection, we are capable of serving investors with Structured Settlement needs.

We deliver these services through a network of Financial Advisors, many of whom are licensed to sell life insurance and/or annuities.

Since 1980, the Firm has worked with Structured Settlement issues related to a wide range of personal injury, mass tort litigation, special needs trusts, disability claims, workers compensation, deferred compensation and employment/age discrimination cases.

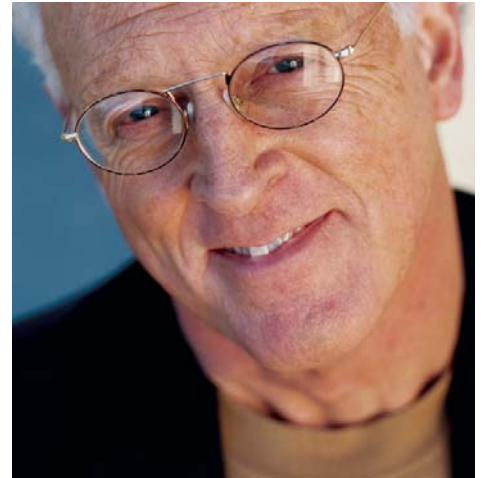
About UBS

UBS AG is a leading global financial services firm, serving a diverse client base that includes affluent individuals, corporations, institutions and governments.

By integrating and leveraging the combined resources, expertise and best practices of its business units, UBS offers products and services designed to provide appropriate solutions to its clients, regardless of where they are located.

UBS has significant operations in all of the world's major financial centers and strong, long-term credit ratings.

From investment banking to asset management services, our Financial Advisors have at their command a broad array of financial resources to help clients accumulate, preserve and transfer their wealth.



For More Information

To learn more about Structured Settlements available through UBS, please call the Martin-Arnold Group toll-free at 877-UBS-8001 or e-mail structuredsettlement@ubs.com.



UBS Financial Services Inc.
www.ubs.com/financialservicesinc
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