

# Top 10 Questions About Secondary Market Annuities

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# 1) What Are SMAs and Where Do They Come From

- Secondary Market Annuities are Discounted Cash Flows
- Payments are backed by annuities issued in conjunction with structured settlements, and paid by top rated insurance carriers
- Buyers become the new payee of guaranteed, in force payment streams sold at a discount
- Discount to Seller = Higher Yield to Buyers

# 1) Where SMAs Come From...

- Times Change, And People Decide to Sell Their Payments
  - You may have heard of factoring companies, like JG Wentworth, Peachtree, etc.
- We buy payments from factoring companies, do all legal review, and resell through advisors nationwide
- SMA purchasers become the New recipient of these Existing, in-force payment streams backed by annuities from top rated carriers

## 2) Why Are The Yields Higher?

- People sell their payments at a discount
- Discount to Seller = High Yield For Buyers
- Discount varies depending on the case
- Your yield is typically 1-3% higher than comparable safe money assets like CD's, Fixed Annuities, etc.

## 2) Higher Yield = Lower Price



SMA Offers 18% Savings- Over \$29,432 SAVED



*\$1,000 per month period certain 20 years, vs. SMA.  
Rates as of 10/2017 & subject to change.*

# 3) Are Secondary Market Annuities Safe?

- Rigorous and court ordered procedure adopted in 49 of 50 states
- Every transfer must be court approved and explicitly conform to IRS Regulation section 5891
- Every transaction is thoroughly reviewed by outside legal counsel
- We supply full and complete documentation of all contracts and assignments prior to you sending even \$.01.

# Top 10 Carriers, Sampling of 550 Recent Cases

**MetLife**



THE COMPANY YOU KEEP®



**BERKSHIRE  
HATHAWAY**

Carrier	A.M. Best	S&P	% of Cases
MetLife	A+	AA-	19.41%
Prudential	A+	AA-	10.81%
Allstate	A+	A+	8.97%
American General	A+	A+	7.69%
Hartford	A-	BBB+	6.78%
Pacific Life	A+	A+	4.95%
Genworth	A	A-	4.76%
New York Life	A++	AA+	4.76%
Symetra	A	A	3.85%
John Hancock	A+	AA-	3.30%
Total			75.27%

## 4) Do I need to be over 59.5 yrs old to buy?

- No- Secondary Market Annuities have no restrictions on age of buyers, and no penalty tax on income payments to buyers
- Why? Secondary Market Annuities are an existing payment stream, backed by an annuity, and the buyer becomes the new payee.
- The annuity itself does not transact... just the right to the payments



# 5) Can I Use My IRA To Buy An SMA?

- YES!
- Indicate on purchase order if Qualified or Non Qualified
- Open Self Directed IRA prior to reserving a case.
- GoldStar Trust is the only recommended SDIRA custodian
- Transfer funds to SDIRA when court approved

# 6) Who Is Best Self Directed IRA Custodian?

- GoldStar Trust Company
  - [GoldStarTrust.com](http://GoldStarTrust.com)
- Simple & Easy
- Custom Program For SMAs



- Gold Star gets our full endorsement
- Just \$25 to Open and \$65/ year
- No add'l fees to add SMAs to your account
- Free ACH withdrawals



Self-Directed IRA Guide

# 7) Who Gets Payments If I Die?

- Secondary Market Annuities Are Guaranteed Payments, Pay To You Or Your Heirs
  - No Loss To Insurance Carrier If You Die, Unlike SPIA
- Be aware of Probate in Your State- Many Buyers Use a Trust
  - “Jane Doe Living Trust”
  - Or “John and Jane Doe Revocable Trust ”
- Consult Your Estate Planner and Purchase Accordingly To Ensure Your Payments Go As Directed

# 8) Can I Buy Payments For.....

- For Kids/ Grandkids
  - Payments can be made payable however you specify/ direct
  - E.g., grandfather buys long-term lump sum, payable to granddaughter
- For Church/ Charity
  - You can specify any recipient on your purchase order, or, you buy in a trust and trust directs any remainder payments after death to a charity
- For A Family Trust Or For Other Needs
  - You can purchase a payment stream to fund any sort of long term obligation, such as loan payments, life insurance premiums, capital repairs on a family property, college tuition payments, you name it

# 8) Cont'd- Typical Buyers And Financial Goals....

"I want guaranteed income of \$5000/month lasting for 10 years, starting in 2021..."

What Are Your Goals?

"I want safe appreciation on my \$250,000 IRA for 20 years..."

"I want to pay my granddaughter's college tuition with \$250,000 when she turns 22 in the year 2030"



"I want my 4 kids to each inherit \$100,000 from me, in 15 years."

# 9) What About Taxes....

- Structured Settlement annuities are tax free to the original annuitant.... But that doesn't mean they are tax free to you.
- You will not get a 1099 from the insurance carrier but you and your tax preparer will need to pay taxes on interest income.
- Secondary Market Annuities are receivables and are taxed accordingly
  - A portion of each payment is principal, and a portion is interest
  - The exclusion ratio is shown on amortization schedule or, if in IRA it is posted to your SD IRA account

# 10) Can I Resell My Payments Later If I Have To?

- Yes! With DCF payment streams, you can resell or transfer
- Other transfer methods do not allow this
- Note, while we CAN resell, we can not guarantee what the price will be or how long it'll take to sell.
- Consider SMA's to be illiquid and plan on holding to term

# 11) Bonus- Who is DCF Exchange

- DCF Distributes Discounted Cash Flow 'Secondary Market Annuities' Through a Nationwide Financial Advisor Network
- DCF principals are experienced in the market
  - 25+ year Wall Street experience
  - 15+ years Main Street primary and secondary annuity sales
- DCF turns over millions of dollars/ month in SMA
- DCF uses same procedure as large securitization firms like JG Wentworth, but sells cash flows direct to investors through advisors



Ready To Get Started?

Contact Your Advisor &  
Get Started With  
Secondary Market Annuities  
From DCF Exchange Today

