

Top 10 Questions You MUST Ask Your Broker BEFORE Buying Secondary Market Annuities

Nathaniel M. Pulsifer

President, DCF Exchange, LLC



If You're Considering Secondary Market Annuities...

- 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 by individual sellers
- Discount to Seller = Higher Yield to Buyers

Why 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

The Types Of Participants In The Market

- Principal Buyer & Seller (Our Process at DCF Exchange)
 - Actually buys and re-sells payments to investor
 - Has real money on the line
 - Has its own counsel for thorough legal review
 - Brokers working with this DCF offer highest closing ratio, integrity, professionalism and transparency
- Best Efforts Brokers (The 'Old' Way Of Business)
 - Not truly a counterparty to a transaction- more like a 'finder' or 'bird-dog'
 - No Control Of Inventory
 - Simultaneous Flip Between Buyer and Seller
 - Not Capitalized, and legal review represents who... Agent? Or Buyer?

1) Do I Need To Put Up A Deposit To Reserve A Case?

- If yes, chances are good that the broker has no control over the inventory
- If yes, you run the risk of needing to sue to get a refund
- DCF does not require deposits
 - Educate first and only accept reservations from people who are committed to following through
- DCF also buys each case into inventory, and we do not need investor money to purchase a case

2) Will I Need To Fund Before I Get Closing Docs?

- If Yes, Run Away!
- Frequently, 'Best Efforts' brokers are juggling investors and payment sellers and have no skin in the game. They need your money to perform on a deal, and that exposes you!
- The DCF Exchange process supplies you (and your legal counsel if you engage one) with complete documentation and closing book before any money changes hands.
- You see the whole package, review the whole book, and only then send the purchase price.

3) Will I Have To Fund Prior To Acknowledgement?

- Last step in transfer process is acknowledgement by carrier that court ordered transfer is accepted and Carrier will comply with the terms.
- Best Efforts brokers frequently pressure buyers to fund prior to acknowledgement.... But it's not a complete file!
- Avoid This Risk!

- The DCF procedure supplies full and complete documentation, including acknowledgement letter, prior to even \$.01 changing hands.

4) Is There Payment Servicing?

- Payment servicing done right is essential.....
 - Flexibility
 - Privacy
 - Confidentiality
 - Liquidity
- Done wrong, or not disclosed till the 11'th hour, is terrible
 - Often forced on buyers by low-value added 'Best Efforts' brokers
 - Usually includes bad titling errors that are impossible to fix
 - Performance and diversion risk for poorly titled payments

5) Is payment servicing a bad thing?

- If your broker or outside counsel tells you payment servicing is 'bad' look for new broker or counsel
- Payment servicing done right is very useful....
 - Flexibility
 - Privacy
 - Confidentiality
 - Liquidity
- Make sure it's done right and that you are in control

6) Can I have my own counsel review the deal?

- If a broker steers you away from your own counsel... run away
- There are brokers and sellers out there that actually discourage this....
 - Do they really have that much to hide?... yikes!
- We operate with full transparency with outside counsel and anyone who wants to engage their own reviewer is welcomed to do so.
 - We know attorneys nationwide who specialize in the niche and can refer
 - Outside review is +/- \$500 to \$750
 - While not necessary, about 1:20 buyers do engage outside counsel.

7) Is Your Inventory Exclusive Or Best Efforts?

- Best Efforts means broker has no skin in the game, and no control
 - Someone else might take it away from broker and from you
 - Broker is not really adding value, and is just lining up simultaneous flip deals
- Our inventory is exclusively through DCF Exchange - if it's on our list, its available, and status is clearly shown in the case notes.
 - Coming Soon
 - In Stock
 - 48 Hr Hold
 - Court Approved

8) Do I Need To Be In The Court Order?

- Low value brokers will tell you that you must be in the court order.
 - Scare Tactics
 - This is not true and merely adds inflexibility, public disclosure of your assets and oftentimes your SSN/EIN in public docs, and exposes you to solicitations
 - The court order itself is not akin to 'title insurance'
- The procedure we follow offers flexibility and liquidity for buyers and confidentiality, by utilizing a payment servicer titled properly
 - Same procedures securitization firms use
 - Thoroughly reviewed by the specialized industry attorneys nationwide

9) Questions For Self Directed IRA Custodians

- What is IRA Setup Fee
 - Gold Star wins at \$25
- What is IRA Annual Fee?
 - Gold Star wins at \$65
- Is There Cost to Add Multiple SMA's to my account
 - Gold Star wins- no added cost
- Are there ACH or outgoing check fees?
 - Gold Star Wins- no ACH fees
- Are there AUM/ percentage based costs
 - Gold Star Wins- no AUM fees
- Losers- Provident Trust Company, IRA Services, and many others



10) Guaranteed Or Life Contingent Payments?

- It's becoming more common for some vendors to hide or downplay that their payments are life contingent
- LC means that if a seller dies, payments stop. A separate life insurance policy then pays you back your remaining principal/ accrued interest- like a callable bond
- BUT- WAY MORE COMPLEXITY
 - Life insurance, mortality tracking, collateral assignment, potential dispute with heirs, potential for fraudulent life insurance underwriting, prepaid premium risk, not to mention suicide risk
- Conclusion- At this time, Life Contingent Is Not Worth The Complexity For Individual Investors! (We may have a better way- stay tuned!)

Finally- Ask Yourself...

- Do I need this money soon, before the scheduled payment?
 - If yes, don't buy the SMA
- Will I need to surrender the contract?
 - If yes, don't buy the SMA
- Do I have another guaranteed, AAA credit way to make a higher rate of return than the SMA?
 - If yes, don't buy the SMA
 - And call me and tell me what it is because I haven't found it!!

Ready To Get Started?

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

