



## Secondary Market Annuities: What to Know Before You Buy



# WHAT WILL YOUR RETIREMENT LOOK LIKE?

Use this guide to decide if SMAs are right for you



## Everyone's Retirement is Different

Are you looking for a source of reliable, guaranteed income?

Maybe you are interested in a guaranteed income stream that starts on a specific date in the future?

Maybe you need a high yield alternative that provides safe appreciation for the future?

Do you have concerns that your IRA is not invested safely and is falling short of profitably preparing you for retirement?

For these and many other questions, Secondary Market Annuities may be the answer. SMAs offer a compelling above-market yield while maintaining the excellent safety and high credit quality only an annuity from a top-rated insurance carrier can offer.



## A PLACE FOR SMAs IN RETIREMENT PLANNING

### WHO WE ARE AND WHAT WE DO

This guide is brought to you by Bryan Anderson and Nathaniel M. Pulsifer of Annuity Straight Talk. Through our various web properties, we focus on helping our clients create guaranteed, safe retirement income.

We build financial plans that work, even when the financial markets fail. And, we only use financial tools that offer the optimal combination of safety, flexibility, profitability, and longevity benefits that are appropriate for you - our client.



We work with clients nationwide securing stable, guaranteed income, safe appreciation, and high quality credit. We find that Secondary Market Annuities often produce the highest combination of benefits.

In fact, we believe so strongly in Secondary Market Annuities that we partnered with a company built around them called SMA Hub. SMA Hub provides top notch legal review, capital, and sales support to provide advisors nationwide with reliable inventory and best in class business processes.



SMAs Are Not  
Right for Everyone



# WHAT ARE SECONDARY MARKET ANNUITIES?

SMA's at a Glance



## OVERVIEW

Secondary Market Annuities are guaranteed receivables paid out by insurance carriers, most commonly associated with structured settlement payments for damages or personal injury. The insurance carriers that pay these receivables include A rated companies such as Met Life, New York Life, and Prudential among others.

Depending on the terms of the settlement, payees receive payments for a set period of time or over the course of their lifetimes. Sometimes, circumstances change for payees, and they require or desire a lump sum payment today. As a result, they turn to the secondary market to sell their future payments at a discount for cash today.

Secondary Market Annuities are the result of these sales. The acronym for Secondary Market Annuities, SMA's, has become industry standard.

- > SMA's offer guaranteed payments over a specified period of time
- > SMA's are an excellent safe money alternative to Certificates of Deposit, Treasuries, and Fixed Annuities.
- > SMA's are payment streams backed by annuities from top-quality insurance carriers.
- > SMA's offer high yields because the seller sells at a discount.
- > SMA's can close quickly and offer privacy and security - if purchased from the right vendors.

# YIELDING GREAT RESULTS

SMAs provide an excellent solution in these scenarios and many others as well

"I need \$3500/ month to replace my income when I retire in 5 years"

"I need a safe place to invest my IRA today that will grow for 20 years until I retire at age 70"

"I need to replace my rental property income of \$1500/ month to simplify my life"

"I sold my business and carried a note, but that \$7500/ month payment is finished in 8 years. I need another source of monthly income when that note has been paid off."

"I have \$1M in municipal bonds that only receive \$40,000 in interest. I want to turn that into \$100K/ year income and spend principal slowly and carefully"

"I have a special granddaughter. I want her to have a lump sum of cash 20 years from now, and I want to set it and forget it right now."

"I want safety and growth, but I can't believe the paperwork. What about something simple?"

"I've got \$300K to my name, and I am determined to leave something to my kids. I need an income for 15 years but I need to replace that \$300K too."

"Why are joint life payouts so low for my second wife and me?"

# TYPICAL YIELD

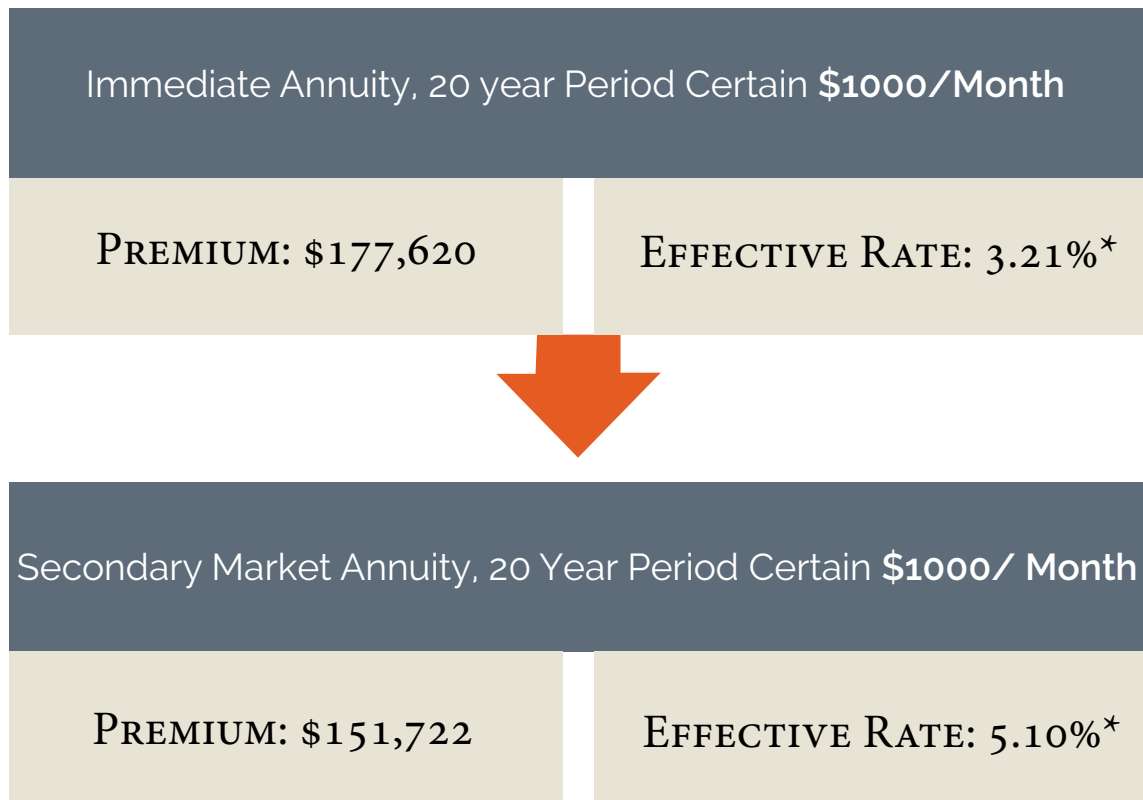
the case. Like any asset, longer terms earn higher rates of return

**SMA's are like bonds - the rate of return and the price move in opposite directions. A payment stream at a 5% yield costs less than the same payments at a 4% yield.**

## **GET THE MOST FOR YOUR MONEY. GET THE MOST FROM YOUR MONEY.**

Secondary Market Annuities offer higher yield than comparable guaranteed assets. Because the yield is higher, the price is lower. Simply put, you can get more income for your money with SMA's.

Below, compare a typical Secondary Market Annuity and an Immediate Annuity with the same income stream. The Secondary Market Annuity costs **\$25,898** less than an Immediate Annuity.







In addition to the lower upfront cost, SMAs cost less over time. There are no hidden asset management fees, no account fees or no negative effects on performance.

From the start, you know that the only costs associated with ownership of an SMA are nominal charges for account servicing, and IRA custodial fees if you are using a qualified vehicle.

SMAs are simple, the transfer is painless, and owning and administering assets is easy.

**In sum, SMAs offer a superior yield. And, when compared to annuities with income riders, immediate annuities with period certain guarantees, certificates of deposit and fixed annuities, SMAs consistently outperform.**

#### **Income Now:**

Immediate Income cases start regular payments within a few years, and are perfect for turning assets into income - guaranteed.

#### **Income Later:**

Deferred income cases provide great alternatives for IRAs, younger investors, and savers with a target date in mind.

#### **Income Options:**

Lump Sum SMAs provide more options than any other asset class. Great for inheritance, capital replacement, IRAs, gifts, charity, portfolios, pensions, and a host of other applications.

# HOW DOES THE SMA PURCHASE PROCESS WORK?

## THE FORMATION



## BUYER WANTS TO PURCHASE THE CASE

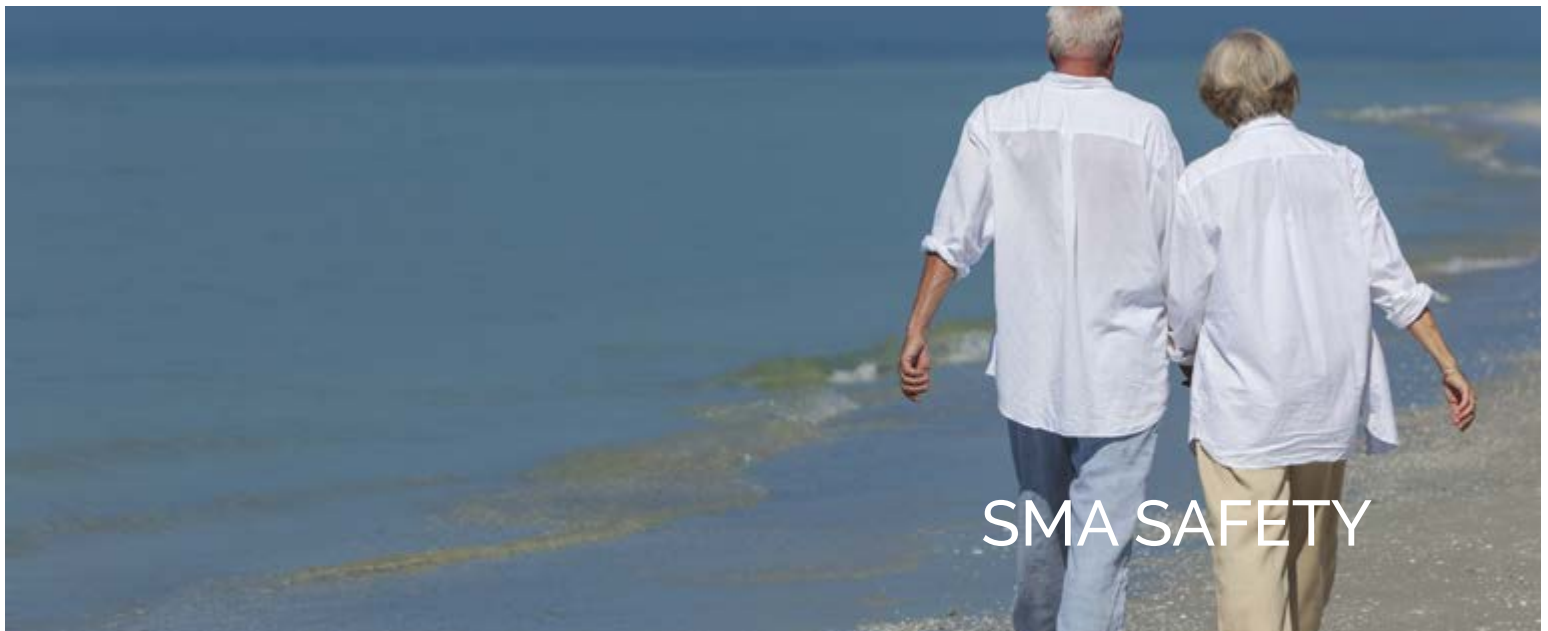


## THE END RESULT

The purchase of an SMA can be as simple as signing 2 pieces of paper - a Purchase Order and an Irrevocable Assignment. That's the high level view. But if you would like further details, read on to see how we make it happen:

1. Payee offers future payments for sale to a finance company
2. SMA Hub commits to buy payments for its resale inventory
  - a. SMA Hub completes a systematic due diligence process including a credit check and lien searches
  - b. Court approves the sale and transfer of payments
  - c. Carrier acknowledges the transfer of payments
  - d. SMA Hub purchases payments
3. Purchaser decides to buy payment stream
  - a. Purchaser signs Purchase Order, and reviews completed Closing Book
  - b. Purchaser reviews all transfer documentation and payment servicing information in the Closing Book prior to sending money
4. Once reviewed, purchaser wires money to SMA Hub
5. SMA Hub irrevocably assigns the specific payment stream to the Purchaser and notifies the payment servicer of the new owner
6. Purchaser receives the assigned payments from Servicer





## **THE SAFETY OF SMAS**

- 1) Secondary Market Annuities are existing annuities issued by the strongest insurance carriers in the world.
- 2) Secondary Market Annuities are only purchased after undergoing a rigorous pre-purchase due diligence. This includes searches for bankruptcy, credit liens, alimony payments, child support, etc.
- 3) Secondary Market Annuities require court approval and state-specific procedures must be followed. The court approves the sale only if it is in the seller's best interest and legally requires the carrier to accommodate the transfer.
- 4) Buy side legal counsel reviews all documentation before SMA Hub purchases case.
- 5) Closing Book evidences full disclosure, including carrier acknowledgment of transfer of payments. Purchaser does not fund the transaction until after full review of Closing Book.

# THE FINE PRINT

Behind the scenes, there are great players and great processes at work ensuring everything is done correctly - from due diligence, to acquisition, to payment servicing.

## THE DISTRIBUTOR – SMA HUB

SMA Hub, Inc. is the leading wholesale distributor of Secondary Market Annuities (“SMAs”). Founded by industry veterans, SMA Hub is the premier resource for exclusive Secondary Market Annuities, providing certainty, quick closing and high returns for clients.

SMA Hub serves advisors and their clients, processing cases in a manner that protects the end purchaser to the highest degree. The Hub streamlines the purchase process and offers SMAs that are ready for purchase today -- **SMAs that are in stock and off the shelf.**

## THE PURCHASE TIME LINE

Each SMA has a unique time line for purchase and closing. When you submit a purchase order, you will find an estimated purchase price and estimated closing date on your selected SMA.

When a SMA is ready to close, the exact payments, the actual closing date, and the agreed upon effective rate of return are used to calculate the final purchase price.

## SOME IMPORTANT POINTS

- If the actual closing date of the SMA sale occurs before the estimated closing date, the actual purchase price will be lower than the estimated purchase price shown on the purchase order.
- If the actual closing date of the SMA sale occurs after the estimated closing date, the actual purchase price will be greater than the estimated purchase price shown on the purchase order.

In both situations, the effective rate of return and the payment stream remain the same. The only change is the date of closing and final purchase price.

An amortization schedule of the exact payments and effective rate of return will be calculated using the actual closing date and included in the Closing Book for your review, prior to sending any purchase funds.



A Closing Book is a compilation of all the contracts and legal documentation related to a transfer of payments from seller to buyer.

We'd be happy to share a redacted book from a recent case with you. Give us a call or drop us an email and we'll send one right over for you and your advisor to review.

In your Closing Book you will find all the documentation evidencing a transfer. This includes:

- 1.) Legal Review Letter and Specific Case Findings
- 2.) Amortization Schedule of Payment Stream
- 3.) Irrevocable Assignment between Hub Business Trust and Purchaser
- 4.) Servicing Agreement, describing how cash flows are handled
- 5.) Acknowledgment Letter or Stipulation Agreement, where the insurance carrier confirms transfer of payments
- 6.) Court Order Approving Seller's Transfer to Hub Business Trust
- 7.) Purchase and Assignment Agreement, between Factoring Company and Hub Business Trust
- 8.) Assignment Agreement, between Original Payee and Factoring Company
- 9.) Current Benefits Letter Confirming Currently Available Payments

After you review the various documents that transfer the payments to you from the seller, you will execute the Irrevocable Assignment of Cash Flows. This is the final step in the process and makes you the unequivocal owner of the payment stream. The payments will be made by the carrier to the payment servicer, who then sends them to you.

## WHY PAYMENT SERVICING IS ESSENTIAL

Payment servicing is an important piece of the SMA purchase equation. Payment servicing is commonly used to facilitate payment transfers in banking, securities, mortgage servicing, property management, IRA administration, and investment management. Payment servicing provides you with safety, flexibility and convenience:

- Payment servicing allows you to remain anonymous. Because your name is not in the court order, you will not be contacted by factors and solicitors.
- Payment servicing allows SMA Hub to pre-purchase cases to put in inventory. When you are ready to purchase an in-stock case, the purchase process is incredibly simple - only requiring your signature on a Purchase Order and an Irrevocable Assignment
- Payment servicing allows you to reassign or resell a payment stream, providing you with increased liquidity and transferability to heirs and beneficiaries. To do so, you simply contact the payment servicing company. If your name is in the court order, it is difficult to reassign or resell a payment stream.

In short, payment servicing adds a refreshing level of professional flexibility and service to the marketplace.

SMA Hub has a servicing agreement with The Asset Servicing Group (“ASG”) for each cash flow. ASG’s servicing platform ensures you always have a real person to assist with any changes in your circumstances, including making adjustments to addresses of record and banking information.

The setup costs for this service are paid by SMA Hub, and a copy of the ASG servicing agreement can be found in each Closing Book.

### **ASG PAYMENT SERVICING FEE SCHEDULE**

\$7 per distribution for monthly payment accounts

\$15 per year for lump sum payment accounts, deducted when the distribution is made

Service Fees

\$25 to process a bank account change

\$25 per year for annual summary reporting, if elected

\$25 to process an address change

\$250 to transfer the account to a different payee



## **WE LOOK FORWARD TO WORKING WITH YOU**

Saving for retirement is an important step in turning your plans and dreams into reality.

Whether you are interested in monthly income, you would like to fund a grandchild's college education, you are looking maximize your guaranteed return, or you would like to plan a long-awaited trip around the world, Annuity Straight Talk is here to help you plan for these important life events and retirement goals.

**We can be reached at any time at 800-438-5121 or at [info@annuitystraighttalk.com](mailto:info@annuitystraighttalk.com).**