

VOLUME 35

NUMBER 4

April 2025

♪ “I Went Down, Down, Down” ♪

As I sit and ponder the state of today’s stock market the great Johnny Cash’s song “Ring of Fire” comes to mind:

*I fell into a burning ring of fire
I went down, down, down
And the flames kept getting higher
And it burns, burns, burns
The ring of fire
The ring of fire (1)*

If I had the nerve to look at my 401K I might have to dive into a full-on country music blues jag. Luckily my family is well, the dogs are fine, and my truck is running great, so perhaps I am not in a sad country song after all.

As you may have guessed, I am not referring to the flames of perdition though it may feel that way to some. These flames burn money, capital, and wealth. Since the beginning of the month and as of this writing the Dow Jones Industrial Average (DJIA) has dropped by nearly 10%! This is not good news, obviously. It is, however, not all that uncommon. In fact, the markets go through what the financial reporters refer to as a “correction” (or a decline of at least 10%) every 1.84 years. (2) I found that little fact rather disturbing, but you learn something new every day. As the fire burns, burns, burns, I am reminded of the challenging times I have experienced in the stock markets, not good memories, though with some discipline I survived. After all, I was able-bodied, gainfully employed, and had the time to wait for the market to recover its losses. But what of those who do not have those assets working for them? An injured plaintiff perhaps.

Not long ago a very good friend and client brought a case to me involving a young woman, Kimberly, who was injured as an infant through no fault of her own and whose settlement came just after she reached the age of majority. My client, the plaintiff’s parents, and I crafted an attractive structure plan that provided for her short and long-term financial needs while protecting her settlement funds with guarantees of payment as only structured settlements can. After Kimberly chose a structure plan, I wrote my client congratulating him on the masterful way he handled the case and the settlement. We had a wonderful time congratulating ourselves on a job well done. Then came “Uncle Bob” who talked Kimberly out of her structure.

Now I use “Uncle Bob” as a euphemism for some friend/relative that has a great idea of what to do with their relation’s money. Good Ole Bob convinced this young person that she needed to put *all* her money to work in the stock market. After all, she was young, and she just couldn’t possibly lose money in stocks. The market just keeps booming along. Then came April 3, 2025, and a 1,679 point drop in the DJIA followed by a 2,200 point drop on April 4th. I wonder if Uncle Bob is answering his phone.

The settlement plan we developed provided ample upfront cash to square all liens, attorney fees and expenses, and left a considerable sum for Kimberly's immediate and near-term expenses. We then provided future periodic payments that guaranteed Kimberly \$781,061 over 40 years and paying out more than \$1 million over her lifetime. No fuss, no fees for financial planners and brokers, no TAXES, and all payments GUARANTEED to be paid to Kimberly in the amounts specified on the dates specified. All for a cost of \$400,000.

A structure's funding mechanism is through the use of a single premium immediate annuity contract (SPIA). We utilize only contracts issued by the most highly-rated and secure life insurance companies in the industry. These life insurance companies are tightly regulated by their state of domicile. Further, each state requires these companies to contribute to a "guaranty fund." In New York for example, annuity contracts are guaranteed by the Life Insurance Guarantee Corporation (LIGC). If a member insurer is found to be insolvent and is ordered to be liquidated by a court, the guaranty corporation provides protection to New York residents who are holders of annuity contracts with the insolvent company. Each state has its own limit of liability as to how large a policy they will guarantee; in New York the limit is \$500,000 per life. (4)

Uncle Bob is not a financial planner. To my knowledge he is not employed in the financial industry in any capacity, yet he was *positive* his (fully taxable) ideas would outperform the structure. Trouble is, within the first month of Uncle Bob's plan Kimberly's portfolio quickly lost approximately \$40,000 in value. Do you think Bob is still on Kimberly's Christmas card list?

In Uncle Bob's defense, as I said earlier, the stock market goes through "corrections" regularly, though they are not usually so time-compressed and dramatic. If Kimberly had the time to wait for the market to recover and she did not sell anything in the meantime she would likely make out ok. However, in her case, it was evident that she does have short and medium-term financial needs that were to be satisfied with a portion of the settlement funds, for which she will now have to sell stocks. She is by no means broke, but \$360,000 down from \$400,000 in a matter of weeks is a quick reminder of the importance of diversifying your investments to dampen risk.

Knowing she was interested in growth and that she had a long time horizon for at least some of the recovery, we could just as easily have created a balanced structured settlement using fixed guaranteed payments side-by-side with a long-term growth structure from Vanguard. Yes, this is now an option in many cases, and our plans have the advantage of *no taxes on interest, dividends, or capital gains*.

Many "Uncle Bob's" mean well, but we are professionals; creating maximum value is what we do for a living. Do you have a case where long-term growth balanced with appropriate guaranteed security seems like the right balance? Contact Frank C. Kilcoyne, CSSC at frank.kilcoyne@jmwsettlements.com or call 800-544-5533, I am here to help.

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