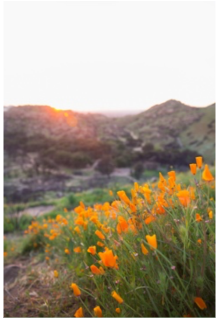

Blonder/Cantwell

SETTLEMENTS GROUP

Structured Attorneys' Fees

A powerful tax-deferral tool for plaintiffs' counsel

Structured settlements aren't only for injured claimants. Attorneys can structure their contingency fees too. Instead of taking the entire fee as income in the year of settlement, the attorney arranges (with an appropriate assignment agreement, before the case settles) to receive the fee over a desired period.

HOW A STRUCTURED FEE HELPS

- Well-settled since Childs v. Commissioner, a properly structured fee is not "constructively received" at settlement, so tax is owed only in the years when payments are received by the attorney
- Spreads income into the future, which can meaningfully reduce the attorney's total tax burden and provide predictable capital for years
- Functions like a self-funded deferred-compensation or retirement plan, built directly from case proceeds
- Typically independent of how or whether the client chooses to structure their own portion of the settlement
- Available for both qualified (physical injury) and non-qualified case

Example

An attorney anticipates a $600,000 contingency fee on a case. Rather than recognizing all of it as income this year, the fee is structured to pay $48,500 per year for 20 years ($970,000 total), deferring tax on each installment and smoothing out what would otherwise be a large single-year tax spike.

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