

A	B	C	D	E	F	G	H	I
2	Finance Guide with Formulated Solutions for Excel						annual compounding	
3	STRUCTURED SETTLEMENT; BUY OR SELL A SINGLE-FUTURE INCOME							
4	at simple annual interest, compounded annually with the present value of the single future income discounted to the beginning of the period.							
5								
6	Concept: This method is used to establish a value to buy or sell a single-future income from a structured							
7	settlement. Examples of structured settlements include: lottery payments; insurance, legal, or workman's							
8	compensation settlements for injury or wrongful death; other legal settlements; and the sale of future life							
9	insurance proceeds by a certified terminally ill person. Life insurance companies are buyers of structured							
10	settlements. They are best equipped to measure risk. Amateurs should never consider buying life insurance							
11	proceeds. Get competent legal and tax advice if you are buying or selling. A structured settlement is also							
12	referred to as a viatical. The valuation is the present value of the single-future income at a given interest rate.							
13								
14	Formula:							
15	This formula solves the present value of a single future amount discounted at simple annual interest, compounded annually.							
16	$=(1/(1+\text{interest rate}/100))^{(\text{years})+(\text{months}/12)+(\text{days}/360)}*\text{single investment}$							
17								
18	You Supply:							
19		*	single- future income					
20		*	interest rate the investor wants to earn.					
21		*	time in years, months and days until the income is received					
22	Computer worksheet:							
23	Case Study: There is an injury liability settlement of \$50,000 to be paid in 14 years, four months and 16 days.							
24	An investor will buy the rights to this income today if he can earn 9% simple annual interest, compounded							
25	annually. What is the value today (present value) of this single-futue income?							
26	single-future income		50000.00	given				
27	interest rate the investor wants to earn		9.000	given				
28	time in years		14	given				
29	time in months		4	given				
30	time in days		16	given				
31	answer: present value of the single-future income		\$14,483.05	calculated				
32	formula in cell E31		$=(1/(1+E27/100))^{((E28)+(E29/12)+(E30/360))*E26}$					
33	Answer explained: The calculation of \$14,483.05 is the present value of the \$50,000 single-future amount at the							
34	given time and interest rate. This is the value today of the future insurance payment.							
35								
36	Case Study: A person with a \$250,000 life insurance policy is certified terminally ill by a physician and has a life							
37	expectancy of 15 months. An investor will buy the rights to this income today if he can earn 12% simple annual							
38	interest, compounded annually. What is the value today of this single-future income?							
39	single-future income		250000.00	given				
40	interest rate the investor wants to earn		12.000	given				
41	time in years		1	given				
42	time in months		3	given				
43	time in days		0	calculated				
44	answer: present value of the single-future income		\$216,978.89	calculated				
45	formula in cell E44		$=(1/(1+E40/100))^{((E41)+(E42/12)+(E43/360))*E39}$					
46	Answer explained: The calculation of \$216,978.89 is the present value of the \$250,000 single-future amount at							
47	the given time and interest rate. This is the value today of the future life insurance payment discounted at 12%							
48	simple annual interest, compounded annually.							
49								
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