FOR L.A. TRIAL & CONTINGENCY ATTORNEYS

Don't Let a Big Fee Get Taxed in One Year

Structured Attorney Fees — uncapped, tax-deferred, legal since 1994

The problem

Win a **$2M** contingency fee and California + federal tax can take **half the top of it** in a single year. Unlike a 401(k), there's no cap on how you fix this — *if* you act before the case settles.

The fix

Take some or all of the fee as **future periodic payments** funded into an annuity through a third-party assignment company. Tax is owed only as payments arrive — spread over years, or life. You design the schedule.

WHY IT BEATS TAKING CASH

- **Rate arbitrage** — payments fill lower brackets instead of one top-bracket spike.
- **Pre-tax compounding** — the *whole* fee grows before tax, not the ~50% after.
- **Smooth income** — lumpy career, steady paycheck you control.

The legal engine

Childs v. Commissioner, 103 T.C. 634 (1994), aff'd 89 F.3d 856 (11th Cir. 1996) — the Tax Court held a properly structured fee is **not** constructively received, so tax defers. Three conditions:

1. Elect the structure **before** the settlement is signed.
2. Obligor agrees in writing to pay a **third-party assignment company**, not you.
3. You can't accelerate, pledge, or borrow against the stream.

DO IT THE SAFE WAY

The IRS is scrutinizing exotic "defer-plus-loan" schemes (2025). Plain *Childs*-compliant structures held for 30 years. We only build the conservative kind — and coordinate with your tax counsel.

YOUR COST

$0 out of pocket. Compensation comes from the funding company, like any structured settlement.

Timing is everything — the election must be in place BEFORE you settle.
Talk to me before your next big case closes.

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