

CASE STUDY
Integrating Settlement Trusts

Constructive/Actual Receipt

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CASE BACKGROUND:

An attorney has accepted cash from a settlement and the settlement funds have been deposited into the attorney's trust account. The settlement is on behalf of a minor claimant (age 10) who needs spendthrift protection. The attorney is looking for an alternative funding vehicle because constructive receipt has taken place and a structured settlement is no longer an option.

There is concern that the parents may attempt to use the settlement funds for purposes other than intended.

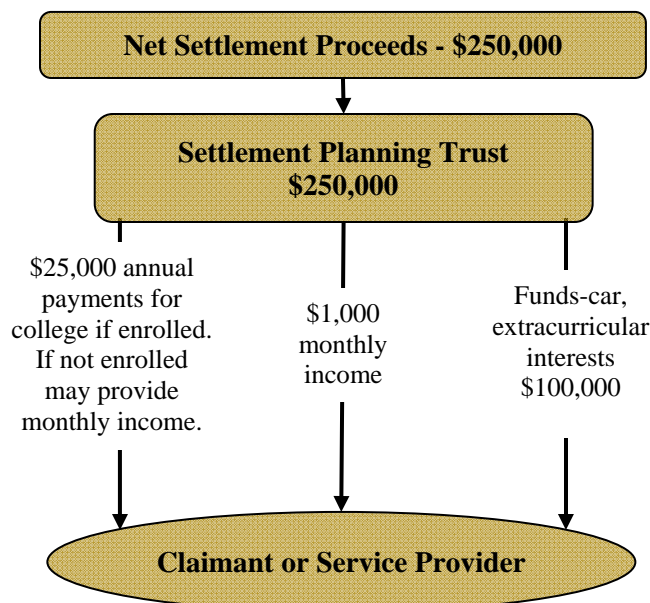
SETTLEMENT ALLOCATION

Total Settlement:	\$400,000
Less: Attorney Fees	\$133,200
Costs/Liens	\$ 6,800
<u>Up-front cash</u>	<u>n/a</u>
Net Settlement Proceeds	\$250,000

FACTS & CONSIDERATIONS:

- ◆ \$250,000 net settlement available for minor claimant
- ◆ Constructive receipt has taken place
- ◆ Needs:
 - Pay for college expenses only if enrolled
 - Purchase car
 - Extracurricular activities - hobbies, music lessons etc.
 - Monthly support payments for 20 years at age 25

SOLUTION:



Continued =>

Constructive/Actual Receipt

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SOLUTION: *(continued)*

SETTLEMENT PLANNING TRUST

The entire \$250,000 in settlement proceeds is placed into the settlement planning trust for future education, care and activity expenses. Distributions from the trust would look like this:

- ◆ Beginning at age 18, \$25,000 would be paid annually for college expenses if enrolled. If not enrolled, the trust can make monthly support payments to the claimant.
- ◆ Automobile purchase at age 18.
- ◆ The trust would begin monthly income payments of \$1,000 to the claimant at age 25 for the next twenty years.
- ◆ From the \$100,000 contingency fund within the trust, money can be made available for extracurricular activities and hobbies of the claimant.

The power of the trust in this situation is that it gives the settlement consultant an option in cases where constructive or actual receipt has occurred. The spendthrift needs of the claimant are fulfilled and the trust allows flexibility in how the funds are distributed from the trust.

This case study is for illustration purposes only and any resemblance to a specific client is coincidental. Securant Bank & Trust does not guarantee returns or fees associated with the trust illustrations. Assumptions about returns have been made and performance can vary.