

CASE STUDY
Integrating Settlement Trusts

Special Needs Trust

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CASE BACKGROUND:

Craig, a 22-year-old, sustained a debilitating and disabling brain injury as a result of a motor vehicle accident. He is also wheelchair-bound and dependent on others for all daily activities. Craig will require continuing support, assistance and supervision for the remainder of his life. Craig's monthly medical bills cost approximately \$7,500 and are partially covered by Medicaid. Because Craig is over age 18, there is no legal obligation that his parents provide for his support. However, they do want to keep Craig in their home and assist with his care. Craig's parents have requested that the trust provide for respite care, personal attendant care services, therapy and rehabilitation care as well as a modified handicapped vehicle and clothing allowance. In addition, Craig's parents want to make sure that the special needs trust is fiscally managed so that there is enough money to cover Craig's expenses when they are no longer able to help with his care and need to place him in a group home.

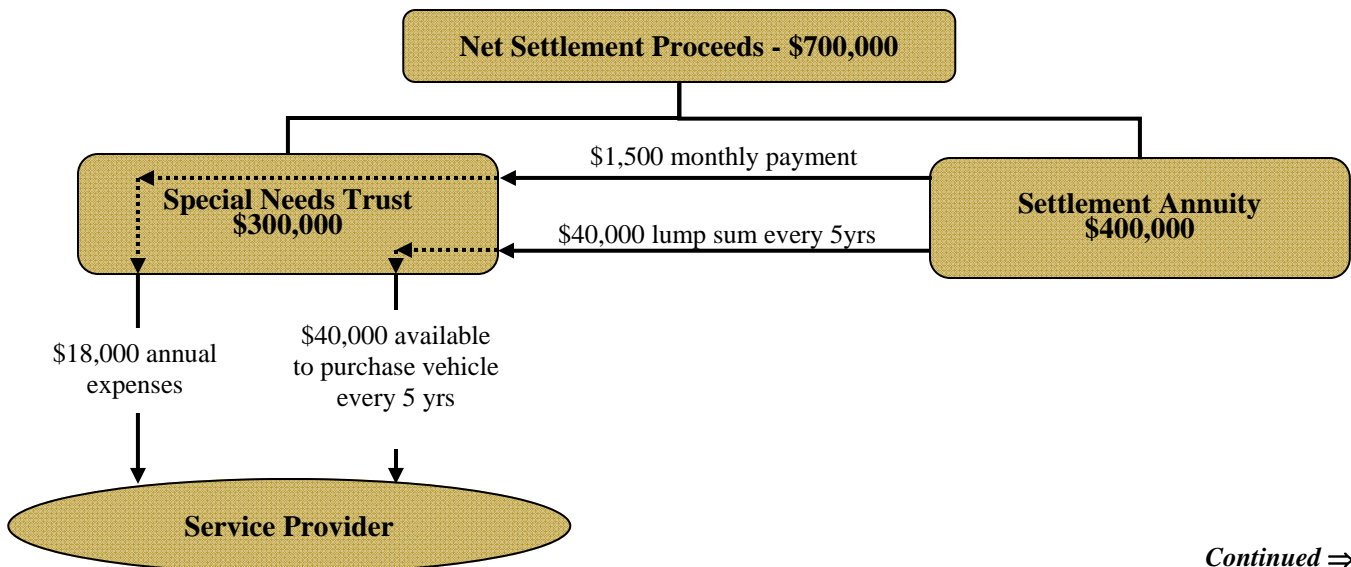
SETTLEMENT ALLOCATION

Total Settlement:	\$1,500,000
Less: Attorney Fees	\$ 600,000
Costs/Liens	\$ 125,000
Up-front cash	75,000
Net Settlement Proceeds	\$ 700,000

FACTS & CONSIDERATIONS:

- ◆ \$700,000 net settlement available for claimant
- ◆ Needs:
 - Payment for uncovered medical expenses
 - Funds available for special programs
 - Funds for when Craig can no longer live at home
 - Funds for new vehicle every 5 years

SOLUTION:



Continued =>

Special Needs Trust

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SOLUTION: *(continued)*

STRUCTURED SETTLEMENT ANNUITY

\$400,000 is used to purchase a structured settlement annuity with the following payments going directly into the special needs trust:

- ◆ Monthly payments of \$1,500 guaranteed for life with 20 years certain.
- ◆ \$40,000 lump sum payment every five years to purchase a new vehicle.

SPECIAL NEEDS TRUST

\$300,000 from the settlement proceeds is placed into the special needs trust as the initial deposit. Distributions from the trust can be made for the following items and/or services:

- ◆ Payments made directly to vendors for any uncovered medical expenses.
- ◆ Payments for special programs and care not covered by Medicaid.
- ◆ Funds remaining inside the trust can be used when Craig's parents are no longer able to assist with his care and he needs to be placed in a group home.

Allows receipt of settlement funds without loss of public benefits and illustrates how a special needs trust and structured settlement annuity work together to provide a more complete solution for the claimant. The annuity cash flows Craig's known expenses, while the seed money in the trust is allowed to grow and be available for future needs. It also gives Craig's parents peace of mind.

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