

CASE STUDY
Integrating Settlement Trusts

Settlement Trusts In Workers Compensation Case

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CASE BACKGROUND:

Robert, a 39-year-old house painter, was catastrophically injured at work after falling off a scaffold. After several years of paying medical expenses, including institutional care, and replacement wages on behalf of Robert, the carrier wished to settle the claim. Robert and his family were also interested in settling the claim because the carrier would not pay for in-home care. The family felt Robert would be more comfortable in a home setting. Robert's wife could perform much of the basic care that he required, along with supplemental care provided by a skilled care provider. Robert also wanted to payoff their mortgage. The total settlement agreed upon was \$2.25 million.

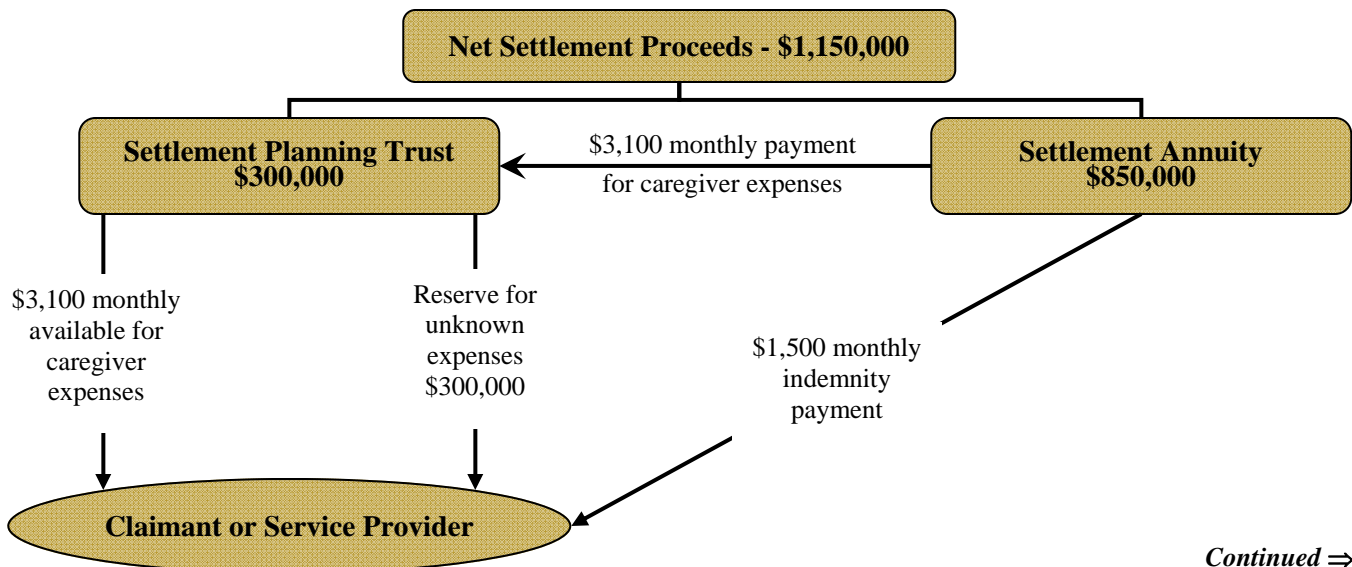
SETTLEMENT ALLOCATION

Total Settlement:	\$2,250,000
Less: Attorney Fees	\$ 675,000
Costs/Liens	\$ 150,000
<u>Up-front cash</u>	<u>\$ 100,000</u>
Net Settlement Proceeds	\$1,325,000
<u>MSA</u>	<u>\$ 175,000</u>
Funding Available	\$1,150,000

FACTS & CONSIDERATIONS:

- ◆ \$800,000 available to fund annuity
- ◆ Needs:
 - To bring Robert home so he is more comfortable
 - Have an income stream to pay for Robert's care
 - Monthly indemnity payments
 - Reserve for unknown expenses
 - Up-front cash to pay off mortgage

SOLUTION:



Continued =>

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SOLUTION: *(continued)*

STRUCTURED SETTLEMENT ANNUITY

\$850,000 is used to purchase a structured settlement annuity with the following payments:

- ◆ \$3,100 monthly payment for life guaranteed for 20 years. Payment is intended to pay for caregiver expenses and is paid directly into trust.
- ◆ \$1,500 monthly indemnity payment for life guaranteed for 20 years. Payment is paid directly to Robert.

SETTLEMENT PLANNING TRUST

\$300,000 from the settlement proceeds is placed into the settlement planning trust as the initial deposit. Distributions from the trust would look like this:

- ◆ Funds will be available to pay monthly caregiver expenses as needed.
- ◆ Inside the trust would remain reserve funds of approximately \$300,000 for any unanticipated expenses that may arise in the future.

The settlement allowed Robert to move back home knowing that his needs would be taken care of. The up-front cash was used to pay off his mortgage. The power of the trust in this situation is its flexibility to pay for caregiver expenses as needed. The trust also has a reserve to pay for any unforeseen future expenses. The settlement with the trust option gave Robert and his family strong peace of mind that his needs would be taken care of if he settled the claim.

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