



Structured Settlements

*Securing Your
Future With A
Special Needs Trust*

Improving Your Quality of Life:

Structured Settlements and Special Needs Trusts

According to The Arc, one of the nation's leading advocacy organizations for Americans with disabilities, a special needs trust can significantly improve the quality-of-life of an injured person, as well as family or dependents, by funding such things as:

- ✓ Out of pocket medical and dental expenses
- ✓ Transportation, maintenance and insurance for vehicles
- ✓ Rehabilitation
- ✓ Computers
- ✓ Essential dietary needs
- ✓ Personal care attendant
- ✓ Goods and services that add pleasure and quality to life

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(www.TheArc.org).

And when you fund your special needs trust with a structured settlement, you gain all those benefits, **PLUS:**

- ✓ Guaranteed security
- ✓ Funding tailored to your specific needs
- ✓ Tax-free income and higher returns

What is a special needs trust?

Federal and state laws allow proceeds from an injury lawsuit to be placed into a specialized trust for the victim's benefit. This allows the injury victim to maintain eligibility for government benefits. Called a special needs trust, this fund pays for important medical and personal needs that are not usually funded by public programs. According to an article in USA Today, "A special needs trust... can improve a disabled adult's quality of life without endangering eligibility for government programs."

When should I consider a special needs trust?

A special needs trust is often used when the injury settlement may not be sufficient to cover the victim's future care. Depending on state laws, it can also be used to pay for life-enhancing needs, such as specialized rehabilitation, additional attendant care, a wheelchair-accessible vehicle, cultural events, a vacation or even a home.

What's the benefit to me of using a special needs trust in my lawsuit settlement?

With as little as \$2,000 in certain assets, you can be disqualified from some government benefits, including Medicaid and Supplemental Security Income. But federal law does not consider you to have "received" money if it's placed in an irrevocable special needs trust. Therefore, you can still receive your government benefits.

The special needs trust also allows you to integrate your trust payments with your government benefits. By receiving maximum basic living healthcare benefits from public programs, you can then use special needs trust payments to further improve your quality of life.

Will a special needs trust delay my lawsuit settlement?

Usually not. Special needs trusts are common and typically do not require significant time to negotiate. In fact, if the defendant's liability is in question or if his insurance limits are low, a special needs trust is an effective way to bridge the financial gap to create an acceptable settlement.

If I'm going to create a special needs trust, why should a structured settlement fund it?

A special needs trust funded with a structured settlement provides you with excellent security, while also helping to increase the value of your overall settlement. For example, you can have your trust funded with a "lifetime" structured settlement annuity. That means your benefits payments will continue for the rest of your life — guaranteed. Also, under federal and state tax law, all interest generated by the structured settlement is completely free from federal and state income taxes.

Are there other benefits to funding a special needs trust with a structured settlement?

Yes, there are several. Structured settlements funded with a lifetime annuity are typically based on your overall health and life expectancy (sometimes called a "rated age"). Since these annuities can take health issues involving your injuries, as well as other health issues, into account, the lifetime annuities can frequently provide increased payments. Structured settlements can also have built-in inflation adjustments and periodic lump sum payments that help in funding your future needs. Finally, if there is a management fee, the use of a structured settlement can dramatically lower that fee — leaving more money for you.

Can my family inherit the money in the special needs trust?

Medicaid must first be paid back for any benefits paid on your behalf during the trust's term. The balance in the trust can then legally pass to your family or your estate.

How do I set up a special needs trust?

Special needs trusts are highly technical and require detailed knowledge of public benefits law and tax law. If the trust provisions do not follow both federal and state laws, the assets could still be included by officials considering your eligibility for government benefits. That's why anyone considering such a trust should consult an attorney experienced in this area and should choose a trustee experienced in administering special needs trusts.

If tragedy strikes, your financial settlement could quickly disqualify you from government assistance. But a special needs trust that includes a structured settlement will provide financial security, while letting you retain eligibility for many government programs. Compare the difference in a sample physical injury settlement:

	Settlement goes to a special needs trust funded with a structured settlement	Settlement is taken in a single lump sum
Remain eligible for Medicaid	✓	NO
Remain eligible for State Medicaid Waiver Program	✓	NO
Remain eligible for Supplemental Security Income	✓	NO
Remain eligible for private care programs based on Medicaid eligibility	✓	NO
Income completely free from federal and state income tax	✓	NO
Overall life expectancy taken into account	✓	Maybe
Settlement placed in secure investments such as U.S. Treasuries or life insurance company annuities	✓	Maybe