



Structured Settlements

*Helping Your Child
After An Accident*

"My Son Was In A Coma"

"On August 10, 1998, I experienced every father's worst nightmare. My son Kyle, age 7, was bicycling in Sacramento when he was hit by a truck.

"The result was almost more than any parent could bear: My son was in a coma, unable even to breathe without support.

"After years of slow, painful rehabilitation, Kyle today is a miracle. He runs, rides a bike and smiles like any other teenager.

"Many decisions were instrumental to Kyle's remarkable recovery. One, in particular, was financial. When settling our lawsuit, I decided to establish a structured settlement.

"This decision has allowed our family to focus energy where it's most helpful: on Kyle. Since the settlement, our payments have arrived exactly as we designed, on time and in full.

"Parents of children who have been in an accident or who have a disability are under a special obligation. We must be completely responsible with our finances, ensuring that our settlement provides maximum protection. Without a doubt, the best way to accomplish this is by choosing a structured settlement.

"When you combine a child's spirit and parents' love with financial stability, the results can be astounding. That's why I urge parents to consider a structured settlement."

Roger Greene
Sacramento, California

If a child is in an accident, the financial strain can be severe. But judges are often hesitant to approve large cash settlements out of concern that the minor or guardians might be victimized. Fortunately, a structured settlement provides a viable alternative with numerous advantages.

My child has been in an accident. What options do I have for the financial settlement?

For all but small accidents, you typically have three choices. First, the settlement can be held by the court in a low-interest account until your child reaches legal maturity, usually age 18 or 19. The money is then released to your child. A second option is to place the settlement in a trust managed by a bank or investment consultant. But this may have drawbacks because all the investment income is subject to taxes. There are also likely to be ongoing management fees.

A far better option is to create a structured settlement. Recognized by federal law since 1983, a structured settlement allows you and your attorney to design a stream of tax-free payments tailored to your child's specific needs. Structured settlements are completely voluntary and have the support of numerous organizations that advocate for children and persons with disabilities.

My biggest concern is people taking financial advantage of my child. Which option provides the most protection?

Without a doubt, a structured settlement is the safest, most secure option for your child. First, your child's settlement will be backed by top-rated life insurance annuities or U.S. Treasuries – two of the safest investments available. Second, there is no need to worry about investment risks. Third, you have the flexibility to schedule payments well after your child reaches legal maturity. This way, your child will not receive a large lump sum while still young and inexperienced with managing money. Trusts and court registries do not provide any of these protections.

What advantages does a structured settlement have over a trust?

First, there's security. Even with an experienced trustee, a trust can be hit with losses due to general market drops and bad investments. In contrast, a structured settlement provides a guaranteed stream of payments. Structured settlements are also exempt from state and federal income taxes, while trusts are taxed at a rate equal to or higher than regular individual income taxes. Finally, trusts often require annual management fees, which further reduce the overall return. Under a structured settlement, there are *No* management or other fees.

Does it cost a lot to set up a structured settlement?

Structured settlements are one of the lowest cost money management options available. By comparison, a trust can cost thousands of dollars to establish, plus additional fees every year for taxes, tax preparation, and management.

My child will require care long after he becomes an adult. Can a structured settlement meet this need?

Absolutely. A structured settlement allows you and your attorney to establish a payment stream designed for your child's specific needs – and these payments may continue long after your child becomes an adult. The payments may be in equal amounts or may include occasional lump sums for things like college tuition. Your structure's tax-free payments can be guaranteed for a certain number of years or even for your child's entire life, so that he or she never outlives this income. There is no similar guarantee with a trust.

You mentioned college tuition. How does a structured settlement compare with a 529 plan?

Structured settlements and 529 plans both provide tax-free growth. However structured settlements are free from many of the 529 plan's drawbacks. Most notably, payments from a structured settlement are guaranteed, while 529 payments are not. Structured settlements are also far more flexible: Your payments can fund private tutoring, post-graduate study or trade school tuition. 529 plans will not pay for any of these.

Since this case involves a minor, I need court approval. How should that impact my decision?

A structured settlement is one of the best ways to gain speedy court approval. Structured settlements enjoy significant popularity among judges because of their proven ability to protect minors.

"As United Cerebral Palsy works through its affiliate network to provide services to people with disabilities, structured settlements are often the most effective tool for those individuals and their families to achieve longer term financial security. A more stable financial environment allows greater focus on rehabilitation, fostering independence and inclusion."

Stephen Bennett
United Cerebral Palsy

If I take a structured settlement, will I be required to report back to the court?

Courts almost never require reporting when you choose a structured settlement because the payment stream has already been agreed to and will not change. By contrast, if you use a trust or a court account, you will typically need to submit regular reports, detailing income and expenditures, and explaining why the expenditures were in your child's interests.

What if my child's financial needs suddenly change several years after the settlement?

A 2002 federal law recognizes that when your child becomes an adult, his or her future needs might change. In cases of extraordinary need, the law allows your child to sell future payments. However, to ensure your child receives a fair deal, the law requires that a court certify any sale, no matter how small, as truly in your child's best interests. Many of the nation's leading consumer and disability activists supported this law.