

Settlement Trust Group

Case Study - Integrating Settlement Trusts Blended Settlement for Minor Child

Case Background

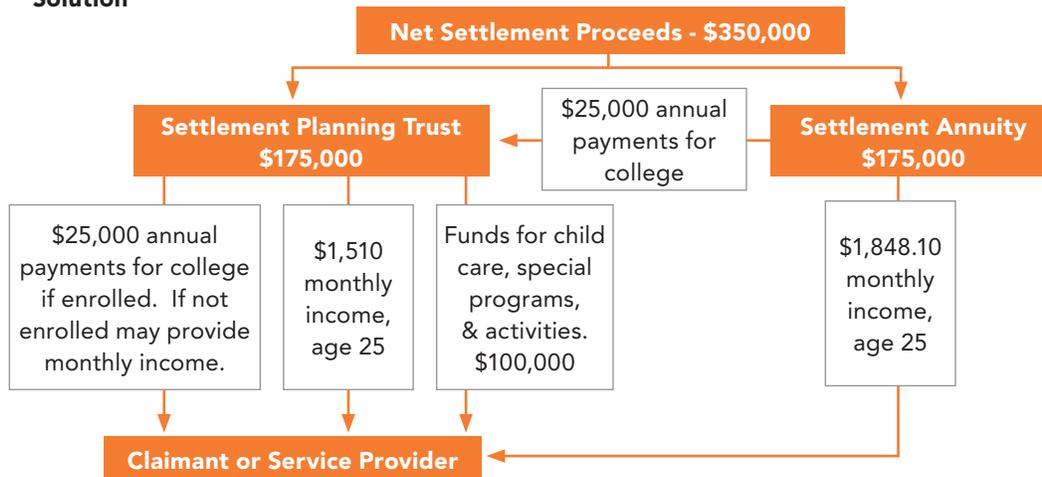
Charles has a 5-year-old daughter, Alyssa, who lost her mother in a car accident. At this time, there is no need to protect public benefits. Alyssa’s mother was a high school English teacher whose job provided her the flexibility to be home when Alyssa arrived after school. She was also able to take Alyssa to extracurricular activities and stay at home full-time during school vacations, including summer vacation.

Charles would like an education package for college but only wants the money distributed if Alyssa is enrolled in college. In addition, he wants the ability to pay for after-school care and full-time care during school and summer vacations as well as any other special programs that may arise. Finally, Charles would also like to provide a stream of income for Alyssa as she establishes her career.

Settlement Allocation	
Total Settlement:	\$600,000
Less: Attorney Fees	\$200,000
Costs/Liens	\$ 50,000
Up-front cash	n/a
Net Settlement Proceeds	\$350,000

Facts & Considerations	
•	\$350,000 net settlement available for minor claimant
•	Needs: <ul style="list-style-type: none"> - Pay for college expenses only if enrolled - Contingency fund for after-school care, special programs, activities and vacations - Monthly support payments for 20 years at age 25

Solution



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Investments: Are not FDIC Insured. Are not guaranteed by the bank. May lose value. Not a deposit. Not insured by any federal government agency. This case study is for illustration purposes only and any resemblance to a specific client is coincidental. Midland States Bank does not guarantee returns or fees associated with the trust illustrations. Assumptions about returns have been made and performance can vary. Revised 07-11-2013

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Solution (continued)

Structured Settlement Annuity

\$175,000 is used to purchase a structured settlement annuity with the following payments:

- College fund payments of \$25,000 per year guaranteed for 4 years beginning at age 18. This amount is directed into the trust.
- Post-graduation payments of \$1,848.10 monthly, for 20 years guaranteed, beginning at age 25. These payments are made directly to the claimant.

Settlement Planning Trust

\$175,000 from the settlement proceeds is placed into the settlement planning trust as the initial deposit. Distributions from the trust would look like this:

- Beginning at age 18, \$25,000 would be paid annually for college expenses if the child is enrolled.
- After college, the trust would begin monthly income payments of \$1,510 to the new college graduate at age 25 for the next twenty years as she establishes her career.
- Inside the trust would remain contingency funds of approximately \$100,000 for after school care, special programs, activities, vacations and other expenses.

The power of the trust in this situation is its flexibility to accommodate the minor's needs. If she does not attend college, then the monthly income could start earlier and potentially last longer. And the flexibility of a contingency fund for care and other expenses gives the settling parties strong peace of mind.