

Settlement Planning With Milestone

The expertise you need
for your future financial
security after settlement

Why it's critical to **plan** for settlement

Many plaintiffs who accept a lump sum find that the money is gone within a few short years. Settlement planning is the process of creating a comprehensive strategy that protects you, the plaintiff, from the dissipation of your assets.

From government benefits preservation to trust planning to periodic payments, there are many strategies that can help you ensure your settlement will meet your present and future needs.

Without proper planning, a settlement could be spent on:

- Taxes and fees
- Healthcare costs
- Lending or giving too much money away
- Risky and/or volatile investments
- Inappropriate spending

By coming up with a durable plan, you can ensure your settlement benefits your needs for as long as possible.

Our expert settlement planners will:

HELP YOU UNDERSTAND YOUR OPTIONS.

It's critical that you have the information necessary to make the best decisions for your life. Prior to settlement, our team will make sure you and your family are educated and informed on your options and what they mean.

ASSESS YOUR UNIQUE SITUATION.

We will discuss your financial challenges and goals to get a full picture of your life and what lies ahead.

COME UP WITH A STRATEGY THAT FITS YOUR NEEDS.

You have options when planning for settlement. Based on what we've learned about you, our team will suggest the most appropriate tools to set you up for long-term financial security.

RECOMMEND BEST PRACTICES.

Our team will explain what you can expect from your plan and how to access all the details. We will also recommend our trusted partners to further assist you if necessary.

TAKE THE COMPLICATED STEPS OFF YOUR PLATE.

We know the ins and outs of the tools we recommend, so we will take on the tedious tasks of setting them up properly – whether by interviewing trust officers, exploring fiduciary controls, or anything else applicable.

BE AVAILABLE WHEN YOU HAVE QUESTIONS.

When you need us, our team is here. You can always reach out to us with any questions now and in the future.

Structured Settlements

Periodic Payments of Tax-free Income

A structured settlement provides a long-term, steady stream of tax-free income. It is a unique settlement method that has proven to be a premium solution when seeking to secure the benefits of personal injury, wrongful death, or workers' compensation claims/torts.

Offering more options to plan for financial success

Historically, personal injury lawsuits have compensated for damages as single lump sums. Though receipt of a single lump sum may provide temporary financial relief, additional burdens are inevitable. The demands required to manage large sums of money can be overwhelming. Increased risks include:

- Loss of health care
- Loss of government benefits (e.g. Medicaid, SSI)
- Dissipation of assets
- Market risk (loss of significant wealth by market downturn)
- Timing risk (investing a large sum at once)
- Tax risk (taxability of settlement funds, fees or judgment awards)
- Inflation risk (erosion of purchasing power, importance of having investments outpace inflation net fees)

Congress recognized the need to protect injured plaintiffs from these risks and passed legislation to amend the Federal Tax Code, resulting in The Periodic Payment Settlement Act of 1982 (Public Law 97-473). This act formally recognizes and encourages the use of structured settlement payments in physical injury cases.

How Structured Settlements Work

A structured settlement is a financial solution that allows you to defer part, or all, of your settlement. Proceeds are distributed on a schedule determined by you, the plaintiff, as opposed to all at once. A settlement planning expert will work with you and your attorney to review all long-term medical, living, and family-related expenses. Upon assessment of your family's financial needs and goals, an agreement of recovery for the structured settlement is established and funded by the defendant. The structured settlement is then placed with a third-party company to fund the payments. Based on the payment schedule determined ahead of time, the company provides a series of tax-free payments established over time.

Advantages of a Structured Settlement

Freedom

From the time and emotional burden associated with investigating, assessing, and selecting investment strategies.

Flexibility

In the amount you receive and the timing and frequency at which you receive it.

Assurance

That your structured payments are exempt from federal and state income taxes.

Contentment

In knowing that you have a steady stream of income.



History & Legal Precedent of Structured Settlements

Structured settlements are an innovative and tax advantageous method of receiving benefits over time from personal injury, wrongful death and Workers Compensation related claims/torts. Encouraged by the U.S. Congress since 1982, a structured settlement is a completely voluntary agreement between the injury victim and the defendant. Under a structured settlement, an injury victim doesn't receive compensation for his or her injuries in one lump sum. Rather, he or she will receive any combination of an immediate lump sum and a stream of tax-free payments tailored to meet future needs. A structured settlement may be agreed to privately (for example, in a pre-trial settlement) or it may be required by a court order, which often happens in judgments involving minors.

A long-term structured settlement has several advantages. First, there is security. A structured settlement provides guaranteed long-term income. That is often invaluable, as it gives the victim (or the victim's family) the ability to adapt and/or recuperate without spending time and resources determining investment strategies. A second benefit is financial: When Congress amended the federal tax code to encourage structured settlements, it explicitly provided that 100 percent of every structured settlement payment would be exempt from federal taxes.

Historically, damages paid because of an injury lawsuit came in the form of a single lump sum. This kind of payment, especially in catastrophic injury cases, often placed the injury victim (or family) in a difficult financial position: With the victim focused on adapting to a new lifestyle, there often was not the time to manage large sums of money. That can lead to serious trouble. A person who loses funds intended to cover a lifetime of medical care runs the risk of losing medical care and independence. They also risk winding up on public assistance. That's why, in 1982, a bipartisan coalition of legislators in Congress came together to pass legislation that amended the federal tax code. Their action, The Periodic Payment Settlement Act of 1982 (Public Law 97-473), formally recognized and encouraged the use of structured settlements in physical injury cases. In The Periodic Payment Settlement Act of 1982 (P.L. No. 97-473), Congress adopted specific tax rules to encourage the use of structured settlements to resolve physical injury cases. Section 104(a)(2) of the Internal Revenue Code clarifies that the full amount of the structured settlement payments is tax-free to the victim. (By contrast, the investment earnings on a lump sum payment are usually fully taxable.)

In any physical injury or wrongful death case, the plaintiff and defendant negotiate issues such as the victim's medical care and basic living and family needs. Oftentimes, one side (or both) will bring in an expert, such as a structured settlement broker, who provides calculations on the long-term cost of these needs. When there is agreement on the benefits due to the injury victim (which can happen before, during or after a lawsuit), the defendant will agree to fund a stream of payments that meet these needs. The defendant then assigns this obligation to an experienced third party, such as life insurance company, that funds the damage payments with an annuity. An annuity has been the preferred way of funding because of its pricing and flexibility. An alternative is a trust fund, which invests only in United States Treasuries and has annual fees required for its administration. As these issues involve are complex, an attorney and a structured settlement professional are necessary for the transactions to occur.

We at Milestone invest our time in ensuring that plaintiffs receive the best rates available at the time the investment is made. Settlement brokers that are brought in by the defendant work for the defendants to protect the interest of the defendant and their insurer---we find that arrangement to be counter to the interest of the injured party, hence the need for our involvement. While we believe there is indeed a real benefit in structured annuities we by no means consider them to be the total solution. In the end, a well planned, well placed structure should prove to be a very productive and beneficial portion of any plaintiffs' investment portfolio.

Investment-backed Structures

An Option for Better Growth on Your Settlement

An investment-backed structure offers a higher yield on future periodic payments from your settlement, without the tax burden that typically comes with other kinds of investments.

Planning for both now and later

You've got a settlement coming; now it's time to ensure that your financial recovery is as beneficial as possible for your medical bills, equipment, long-term care, and other injury expenses. With an investment-backed structure, you will get a series of customized, tax-free payments over time instead of receiving your settlement in a lump sum all at once.

Spreading a settlement into increments over time can help you meet your long-term needs while lightening your tax burden each spring. In addition to providing future financial security, these guaranteed periodic payments are 100% exempt from federal and state income tax, and so is the growth on the original settlement amount.

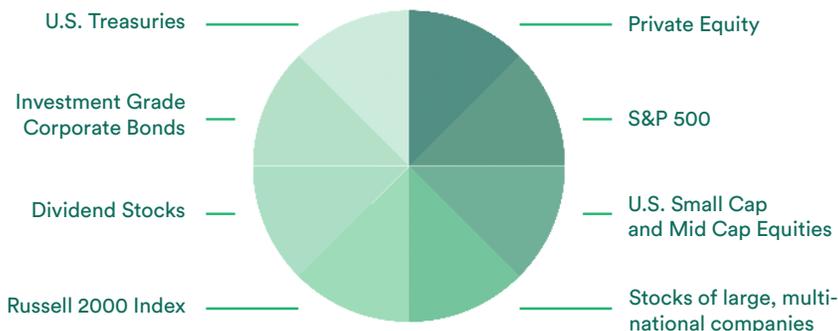
The benefits are many:

- _____ Tax-free gains
- _____ Fixed payment schedule
- _____ A one-time, no-fee hardship provision
- _____ Security through a national custodian with multiple levels of coverage and protection
- _____ Customization to meet your needs
- _____ One-on-one consults and daily account management
- _____ Confidentiality

What We Mean by Customization

Our program will allow you to choose investment strategies: either a diversified portfolio offered by a master custodian or a customized portfolio managed by your personal financial advisor.

Plans incorporate a combination of:



A real world example

Stephanie* is a sexual abuse survivor. At 24 years old, she has a lot of time to be strategic with how she manages her settlement money. She has a good career and does not have an immediate need for all of her settlement money. Stephanie is placing nearly one million dollars in an investment-backed structure.

She is scheduling payouts for a wedding when she turns 26, a first home when she turns 28, and then letting the rest grow until a planned early retirement at age 50. While her attorneys fought hard for her settlement, our tax-free settlement design will allow her settlement to positively impact the rest of her life.

Government Benefits Compliance

Maintain Eligibility for Benefits After Settlement

Do you receive any of the following needs-based benefits?

SUPPLEMENTAL SECURITY INCOME (SSI)

A cash benefit that provides assistance to the aged, blind or disabled.

MEDICAID

Medical coverage provided to the disabled and needy. In many states, disabled people who receive SSI will also automatically qualify for Medicaid.

FOOD ASSISTANCE/SNAP

State/county program that assists low income individuals and families in purchasing food.

SUBSIDIZED HOUSING (HUD/ SECTION 8)

Assists with rent/housing costs.

If you receive any of the above benefits, your acceptance of the settlement award may affect your eligibility and could cause a lapse or termination of benefits. Each program has an income limit; should you accept a lump sum settlement, you may suddenly have too much income to qualify. It is your responsibility to report your receipt of a settlement award to your caseworker within 10 days of receiving the funds. Please note that giving away any of your settlement proceeds as a gift or donation may result in you losing your benefits, a period of SSI and/or Medicaid ineligibility, or in the government seeking reimbursement for benefit paid on your behalf.

Spending down and exemption planning

If you are currently receiving needs-based benefits and have immediate plans for your settlement, you might consider talking to your government case worker about spending down your award.

- You might consider spending down your settlement proceeds on existing debt or, if you do not have debt, prepaying utility bills.
- Exemption planning is the process of spending your proceeds within the same month that you receive your check on items that do not count towards benefit eligibility.
- Because certain items, such as your home and an automobile (reasonable in value), do not count towards your eligibility, you may be able to use your settlement proceeds to purchase these items.

Timing is critical. In order to minimize any lapse in your receipt of benefits, it is best if you have a plan for spending down or using exemption planning before receiving your settlement proceeds. You should speak with your case worker about your particular situation and your eligibility for spending down or exemption planning.

Establishing a special needs trust

If you are considered disabled and are currently receiving needs-based benefits, you might consider using a special needs trust to preserve your needs-based benefits. Placing settlement proceeds into a special needs trust allows you to use your settlement award for items that can enhance your quality of life without jeopardizing your eligibility.

Types of Special Needs Trusts

Pooled Trusts vs. Private Special Needs Trusts

There are generally two types of special needs trusts, and depending on your unique situation, one may be a better fit for you. Below we describe each.

Pooled Special Needs Trust

A Pooled special needs trust is managed by a national 501(c)(3) nonprofit corporation formed to provide trustee, trust administration and advocacy services for the disabled, elderly, minor children and those seeking spendthrift trust protection. The assets from all the participants are pooled together, but maintained and tracked in individual trust sub-accounts. Depending on state regulations, individuals of any age may be able to join a pooled trust.

Private Special Needs Trust

A private special needs trust is a personalized disability trust drafted and prepared by a local trust attorney. Typically, a private special needs trust is used when a person has a large amount (i.e. greater than \$250,000) to deposit into the trust. To utilize a private special needs trust you must be under age 65, have been determined to be disabled and the trust must be created by a parent, grandparent, guardian or the court.

Timing is Critical

You must create or join a special needs trust before accepting your settlement proceeds. The trust is irrevocable once it is funded. You must tell your government case worker about your settlement, or your benefits may be lost.

POSSIBLE LAPSE IN BENEFITS

There is a chance that you will lose at least one month of your SSI eligibility even if you use one of the strategies mentioned previously in this booklet. This is because Social Security typically considers the month you receive settlement money to be a month where those assets are in your hands as income.

SSDI & MEDICARE BENEFITS AFTER SETTLEMENT

Your settlement should NOT affect your eligibility for Social Security Disability Income (SSDI) or Medicare, because SSDI and Medicare are entitlement benefits based on work history and do not involve income or resource eligibility tests.

CONSULT WITH YOUR CASE WORKER OR A QUALIFIED ADVISOR

This document does not replace the need to seek advice and is not intended to serve as legal advice. The suggestions in this document are based on general rules regarding needs-based public assistance benefits for illustration purposes only. These rules may or may not apply to the specific benefit program(s) in which you are participating or for which you are eligible. If you have concerns about your eligibility, you should speak with your case worker or a qualified government benefits or disability planning advisor before you accept your settlement award.

Frequently Requested & Approved Disbursements

Pooled special needs trusts frequently receive disbursement requests for the following items. This list offers ideas of items that may enhance the quality of life for the beneficiary. However, the Trustee, by law, has absolute discretion in approving requests for disbursements. Please keep in mind this list is a guide. It should not be viewed as an entitlement.

SERVICES

- Cable TV
- Cell phone services
- Internet services
- Maid services
- Insurance payments
- Hair care
- Transportation
- Entertainment expenses
- Eye and dental care
- Attendant care
- Tuition to camps, classes, etc.
- Athletic or other recreational league fees
- Auto repair/maintenance
- Pet grooming/veterinarian bills
- Rehabilitation
- Travel expenses
- Attorney/accountant/financial planning fees
- Music lessons
- Therapeutic massages
- Home modifications/home improvements
- Field trips/day trips, etc.
- Seminar expenses
- Modifications to make vehicle handicap accessible
- Concerts, movies, sporting events, etc.
- HVAC services

GOODS

- Vehicles
- Clothing
- Furniture
- Personal care items
- Television/stereo, etc.
- Mattress/box springs
- Eyeglasses/contacts
- Vacations
- Computers/software
- Pets/pet supplies
- Prepaid funeral expenses*
- Washer/dryer
- Guitar, musical instrument, etc.
- Household products
- Tools/supplies, etc.
- Kitchen appliances/tools
- Toys
- Essential dietary needs
- Household appliances
- Games
- School tuition
- Gasoline
- Hobby supplies
- Outdoor grill

Due to federal guidelines found in the Centers for Medicare & Medicaid Services transmittals and SSA's P.O.M.S. manual, a trust cannot pay for a beneficiary's funeral or other financial liabilities after he or she has passed away.

Supplemental Security Income (SSI) and other government benefits are received by the beneficiary to cover basic needs such as food and shelter. If the disbursements are made from a special needs trust for basic needs, a beneficiary may lose all or part of his/her government benefits. The following is a list of disbursements typically not permitted:

- Cash given directly to the beneficiary
- Food or groceries
- Rent or mortgage payments
- Property taxes*
- Heating fuel (gas, oil)
- Electricity
- Water
- Sewer
- Garbage collection service

*In certain emergency situations, payment of property taxes or other annual shelter costs may be requested. Each trust company reviews each request considering individual situations and impact on preservation of benefits.

Financial Acknowledgment/Payment Election

I understand that the attorneys and law firms that have assisted me in pursuing my claim do not provide advice or assistance with regard to structured settlements, government benefits matters, or other financial or tax issues.

I understand that useful information is available regarding my options for receiving my settlement proceeds and the effect that receipt of my settlement proceeds may have on my eligibility for certain government benefits.

I acknowledge that I have had the opportunity to consult a financial professional or attorney of my choice to discuss any questions I might have regarding the tax implications and other aspects of my different options for receiving my settlement monies and/or protecting my government benefits. I further understand that I am solely responsible for ensuring that any needs-based benefits I receive are not interrupted, and my attorneys have made no statements to me indicating that these benefits will be protected.

I believe I have sufficient information at this time to make an informed and voluntary decision regarding the receipt of my settlement monies, and I elect the following (CHOOSE ONE ONLY):

To receive my entire net settlement as a lump-sum, cash payment.

By electing a lump sum, I understand that if I receive Medicaid, SSI (Supplemental Security Income), Food Stamps, Housing Vouchers, or any other needs-based benefits, those benefits will be interrupted or eliminated because of my lump sum disbursement. I have spoken with an advisor from Milestone Consulting LLC or another qualified advisor about preservation of these benefits and have made the decision to receive the settlement funds as a lump-sum payment with the understanding that this may impact my ability to receive benefits.

To arrange for a structured settlement for some or all of my settlement proceeds. I would like to speak with consultants at Milestone Consulting LLC or another consultant concerning my investment options.

To create a Special Needs Trust, into which my settlement may be paid to preserve my needs-based benefits. I would like to speak with consultants at Milestone Consulting, LLC or another consultant concerning my investment options.

Claimant Signature

Date

Printed Name of Claimant