

PERSONAL INJURY SETTLEMENT OPTIONS FOR MINORS' ESSENTIAL NEEDS

Why Structure?

When there is a settlement involving a minor, the court will review the use of a structured settlement. These claims can be used for immediate medical or other needs. This guide outlines the options and may be useful to explain why a structured settlement can be the best answer for a difficult situation. The funds may be directed for specific health issues or future financial needs such as:

Medical Costs

- Periodic medical issues
- Medical devices

Other Necessities

- Housing, food, insurance
- Educational expenses
- Transportation



In most cases, the court will review how the money will be managed. The prospect of mismanagement when a minor receives a significant amount of money all at once is a consideration for the judge.

Generally, there are three options for how a financial settlement can be disbursed:

- **Court-Administered Account:** The court holds the settlement in a safe account that protects the principal and releases the money to the individual when he or she reaches the age of majority. However, the potential is great for mismanagement when an 18-year-old receives a lump sum with no strings attached.
- **Trust Account:** A trust account is set up and managed by an appropriate third party. In addition to the cost of setting up a trust, all income earned on the original amount is taxable, and there will be ongoing management fees to consider.
- **Structured Settlement:** When a structured settlement annuity is purchased, a stream of income, including lump sums, is set up to maximize the benefit and direct it for specific uses. That income, including earnings, is not taxable.

Please see the comparison of these options on the next page.

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The following table outlines how the three options compare given different factors.

	Court-Administered Account	Trust Account	Structured Settlement
Safety and growth of settlement amount	Safe, but with minimal interest earnings.	Depends on the ability of the administrator to manage the principal.	Safe; guaranteed by the insurance company. Options can include provisions to offset the effects of inflation.
Protection of funds	Full, until the age of majority (then none).	Possibly. Fiduciary has some flexibility and powers.	Full, as predetermined.
Income available	None. Held for release when the child reaches the age of majority.	Will vary based on the returns generated.	Steady, predetermined income.
Taxation of earnings	Taxable	Taxable	Tax-free
Potential for mismanagement	No restrictions on how the money is spent.	All funds are available when minor reaches the age of majority.	Payment streams are predetermined, even after the child reaches the age of majority.

Work with your structured settlement consultant to review the guidelines for acceptability.

For more information, contact your structured settlement consultant.
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Contract Form Series: ICC11:10-1213 (and state variations)

SSCI337-0219

