

SETTLEMENT TRUSTS



Settlement Trust

With a settlement trust, a financial plan can be implemented to accomplish the overall goals of all parties and provide maximum financial protection. A team of professionals, including the plaintiff and their families, the litigating attorney, the trust-drafting attorney and trust officer, work in collaboration. This team develops a settlement trust and investment plan to offer flexibility that meets short- and long-term cash needs. As trustee, BECU Trust Services manages the funds in the trust according to customized terms and conditions drafted to meet the individual needs and circumstances of the plaintiff. The settlement funds will be professionally managed according to prudent investment standards. The investment management of each settlement trust will be governed by an Investment Policy Statement that serves as a blueprint for the management of trust assets.

We see our role at BECU Trust Services as more than just managing money. Most settlement trusts are set up to protect the plaintiff from financial risks and poor money management. This is done by providing professional and financial management to carry out the intended purposes by prudently managing trust assets. We will work closely with the plaintiff on expenditures and life decisions that could impact their financial security and protection.

Lump Sum or Structured Settlement

The IRS defines a structured settlement under IRS 5891 as an arrangement to provide for periodic payments to a party in a lawsuit. However, BECU Trust Services defines a structured settlement as a well thought-out payment plan that provides optimum financial protection and security while considering taxation, economic value or net worth, and the personal circumstances of the plaintiff.

Economic Value/Net Worth of Settlement

Our investment team at BECU Trust Services can provide assumptions regarding investment returns and risks necessary to evaluate the economic value of the settlement options. We will calculate the present value of the periodic payments of a structured settlement and then compare the amount to the lump sum payment to provide an economic comparison of both options. Another comparison would be to simulate the structured settlement by calculating an annuity payment generated from the net lump payment after factoring in taxes.

Our investment team is comprised of professionals with the experience and credentials, including the prestigious Chartered Financial Analyst (CFA®) designation, to help analyze and compare settlement options.

Financial Protection

Financial protection and security can be attainable with a settlement but only if prudent decisions are made regarding investments and spending. An example of a risk factor for a plaintiff is failure to anticipate medical or other large expenses arising from the injury, which could trigger a cash shortage with a structured settlement. BECU Trust Services guides the plaintiff on how best to use trust assets to protect themselves from these risks. Every plaintiff brings a unique set of circumstances, goals, family dynamics and personal wishes to the settlement table. It is important that the circumstances raised by these factors are incorporated into a total settlement plan to meet their needs and goals.

Health Care Management Plan

Tragically, many plaintiffs have suffered long-term injuries requiring an intensive health-care management plan. If consultants are needed to formulate a comprehensive health-care plan, BECU Trust Services can make referrals to several providers to help accomplish this. In these circumstances, our strategy is to develop a support team comprised of the trust officer, family members, and care providers to help provide optimum care for the beneficiary.

Special Needs Trust

In some cases, the plaintiff may be receiving SSI payments and Medicaid benefits at the time of the settlement, or may anticipate qualifying for these benefits in the near future. To maintain the eligibility of the plaintiff for these “means-based programs,” a special needs trust can be created to hold the proceeds of the settlement. BECU Trust Services has the experience necessary to administer these trusts and coordinate distributions to protect these public benefits. As trustee of a special needs trust, our goal is to use the assets in the trust to supplement, not supplant, the income and medical coverage under SSI and Medicaid. We will work with the plaintiff to identify needs the trust can meet while protecting eligibility.

Medicare Set-Aside Trust

As part of the settlement, proceeds may be used to fund a Medicare Set-Aside Trust. BECU Trust Services will act as trustee and work with a designated approved Medicare Set-Aside agency in the distribution of medical expenses that would have otherwise been covered by Medicare.

Prudent Investment Management

Prudent investment management requires a portfolio manager to diversify assets, control expenses, avoid conflicts of interest, and monitor performance according to the objectives and benchmarks found in the Investment Policy Statement. Our investment team utilizes Exchange Traded Funds (ETFs) as the underlying investment vehicle in the settlement trust as a strategy to meet these standards. ETFs are tax-efficient and allow us to diversify assets over various asset classes in a cost-effective manner. We regularly review the investment strategy with all interested parties and determine if any change in circumstances or needs require a modification to the investment strategy of the trust.

Why BECU Trust Services?

BECU Trust Services follows the credit union philosophy of being “More Than Just Money.” We realize that each client has individual needs and communication styles; therefore, our approach is to manage to each unique situation without relying on standardized solutions. This style of management is crucial because we realize that a client’s wealth, regardless of the size, is of utmost importance to them— and we view it with the same level of importance.

BECU Trust Services takes a team approach to management. We make sure that our clients get to know our entire team and not just their primary trust officer. This philosophy of teamwork extends outside our organization through collaboration with our clients and their entire team of professionals—attorneys, accountants, medical professionals, caregivers, elder care, and others our clients may rely on. We also apply our holistic approach to our investment management by analyzing a client’s entire portfolio, including outside assets. We make investment choices that complement the portfolio as a whole. We are continuously seeking ways to improve our services and welcome feedback from our clients and others with whom we work.

After all, it’s the overall experience that truly sets BECU Trust Services apart!

**206-812-5176 or
800-233-2328, x 5176
Fax 206-439-5888
becustrust@becu.org**

Office: 12770 Gateway Drive, Tukwila, WA 98168
P.O. Box 97050, MS: 1017-1, Seattle, WA 98124-9750

TRUS1220



BECU Trust Services is a trade name used by Members Trust Company under license from BECU. Trust services are provided by Members Trust Company, a federal thrift regulated by the Office of the Comptroller of the Currency. Trust and investment products are not deposits of or guaranteed by the trust company, a credit union or credit union affiliate, are not insured or guaranteed by the NCUA, FDIC or any other governmental agency, and are subject to investment risks, including possible loss of the principal amount invested. This is for informational purposes only and is not intended to provide legal or tax advice. For legal or tax advice, please consult your attorney and/or accountant.