

THE B&B ALERT

(800) 533-7227



**BEGLEY &
Bookbinder, PC**
ATTORNEYS AT LAW
COMMITTED TO EXCELLENCE
Specializing in Elder & Disability Law

No. 9 Vol. 3

September 16, 2005

Please visit us on the World Wide Web at: www.begleylawyer.com

USING A STRUCTURED SETTLEMENT IN A MATRIMONIAL SETTLEMENT

By Thomas D. Begley, Jr., Esquire

Utilizing a structured settlement in a divorce situation is a creative method that often leads to an excellent result.

There are several features of structured settlements that should be understood:

- *Present Value.* A divorcing spouse purchasing a structured settlement annuity for the benefit of the disabled spouse pays for the annuity based on its present value. The insurance company is responsible for investing the money and making future payments.
- *Rated Age.* Many disabled persons have a rated age. This means that an insurance company feels that the disabled person is physically much older than her actual age and has a shorter life expectancy as a result of the disability. Therefore, a lifetime annuity can be purchased based on a shorter life expectancy, thereby significantly increasing the monthly payment. Because of the rated age the cost to purchase the annuity is much lower than it would be for a lump sum for equitable distribution. It would also be much cheaper to purchase the structure with a lump sum instead of alimony. Again, the payment would be based on the rated age rather than the actual age and the insurance company assume the risk that the disabled person will outlive the life expectancy based on rated age.
- *Preservation.* The average divorce settlement, like the average lottery winning, lasts five years. What the disabled spouse usually needs most is an income and medical benefits. By utilizing a self-settled special needs trust and having the healthy spouse buy a structured settlement for the disabled spouse and having payments from the structure paid directly to the self-settled special needs trust, the disabled spouse is able to maintain public benefits and often increase monthly income. By obtaining a structured settlement the plaintiff can be guaranteed a monthly income for life with a fixed period guaranteed even if the disabled person dies.

There are several situations where a structured settlement makes sense:

- *Equitable Distribution.* By funding the obligation of equitable distribution in whole or in part with a structured settlement, the person paying the equitable distribution

will save money if the disabled spouse has a rated age. The disabled spouse will be guaranteed that the money will last his or her lifetime.

- *Alimony.* A structured settlement is perfect for alimony payments. Again, the person paying the alimony saves money by buying a structured annuity, especially if the disabled spouse has a rated age, and the disabled person is guaranteed a steady stream of income for life paid directly from an insurance company rather than a resentful ex-spouse. In fact, the disabled person may receive a larger monthly payment under the structure at no additional cost to the spouse paying the alimony.

- *Child Support.* Normally the obligation for child support ends at 18. However, where there is a disabled child it may be possible to have the court extend the order for the life of the disabled child. In some situations life insurance is used to fund the needs of the disabled child after the parent's death. A structured settlement may do an even better job by funding the child's needs during the parent's lifetime and after death. Again, the magic of the rated age may result in a discounted cost.



Begley & Bookbinder, P.C. is a law firm that specializes in Elder & Disabilities Law. We are based in Moorestown, NJ, with offices in Stone Harbor & Lawrenceville.

If you have any comments, e-mail us at ccaruso@begleylawyer.com

Our web site contains a library of firm newsletters, articles, on-line forms for Medicaid, Estate Planning and Guardianship, as well as our upcoming speaking engagements, our products, and other relevant information.

If you are interested in having an Elder & Disabilities Law Attorney from Begley & Bookbinder speak at an event, please contact Colleen Caruso at (856) 787-4237.

This newsletter is not intended as a substitute for legal counsel. While every precaution has been taken to make this newsletter accurate, we assume no responsibility for errors or omissions, or for damages resulting from the use of the information in this newsletter.



Member, National Academy of Elder Law Attorneys

Copyright © 2004 by Begley & Bookbinder, P.C., 509 South Lenola, Building 7, Moorestown, NJ 08057

This newsletter is expressly produced to be sent electronically. If you know someone who would also like to receive this electronic newsletter, please have him or her e-mail us ccaruso@begleylawyer.com