

Structured Settlements: A Solution for Workers' Compensation Claims

A structured settlement gives an injured worker the unique ability to design payments tailored for his or her long-term needs. Structured settlement payments can accommodate family needs, such as a child's education or a spouse's financial needs later in life. This flexibility has an important role in helping to settle workers' compensation claims.

In 1997, Congress amended the federal tax code to encourage the use of structured settlements in workers' compensation claims. Since then, this approach has become more widely used because it provides an injured worker with steady tax-free income and financial security.



"Injured workers almost always require steady income to replace lost wages and pension or retirement shortfalls. I frequently bring in a **structured settlement expert to design a more valuable income stream** for the people I represent. Many workers' compensation cases absolutely would not settle on terms as favorable for the worker without a structured settlement."

– **Michael Rott**

Labor union attorney and author, *The Employer's Workers' Compensation Handbook*

The Issue: The workers' compensation system is a limited solution

Typically state workers' compensation systems make bi-weekly or monthly benefit payments in addition to providing medical treatment. But some medical care can be denied even if recommended by the injured worker's doctor. Also, when the injured person dies, all benefits usually end with nothing payable to family members.

The Solution: Tailored tax-free income from a structured settlement

By combining flexible design with a secure payment stream, a structured settlement offers several advantages including the ability to diversify a settlement with cash and tax-free income. With multiple payment options, your settlement design can address future income and medical needs more effectively than is possible with just a single cash payment.



“If you’re settling a workers’ compensation claim, a structured settlement offers many financial advantages, including **guaranteed security and tax-free income. These benefits can help provide the peace-of-mind you need for your future.”**

– **Laura Tarbox**
“Best Financial Advisor” (*Worth* magazine)

Resolving permanency and death claims

When workers’ compensation cases involve death or permanent disability, the security of a structured settlement can bring significant long-term financial advantages. For both situations, structured payments can be guaranteed for a worker’s life and even a spouse’s life. *That can be a major benefit over other payment options which stop immediately upon a worker’s death.*

A typical structured death benefit settlement may include initial cash, monthly income, and funding for such needs as a child’s education or to provide for a spouse’s retirement.

A structured settlement professional can also tailor payments to meet medical expenses not covered by Medicare, such as transportation and attendant care.

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A flexible solution

For someone facing the difficulties of state workers’ compensation rules, a structured settlement offers benefits that no other option can match. All payments are completely free from federal and state income taxes. They are not subject to reductions due to interest rate or market changes. Structured settlement payments also address another pressing concern: whether a cash settlement is enough to pay for long-term needs.

When making the decision to settle your workers’ compensation claim, it’s important to do so in a way that provides future income that will address your needs and goals without sacrificing financial security. A structured settlement does exactly that.

Are you a Medicare beneficiary?

When settling your workers’ compensation claim, medical treatment may continue to be a priority. If you are a Medicare beneficiary, the Centers for Medicare and Medicaid Services (CMS) will likely review your settlement to be sure Medicare-covered expenses are appropriately included in your settlement. This is often done through an allocation called a Medicare Set Aside (MSA) account.

This allocation is important for two reasons. First, it is a necessary step toward compliance with the federal law that protects the Medicare system for beneficiaries like you. Second, a CMS review and approval of the MSA protects you if the amount of money that’s been allocated for those expenses falls short due to a change in your medical condition. In this instance, Medicare would step in and pay for those accident-related expenses covered by Medicare, bringing you peace of mind.

Funding your MSA with a structured settlement is permitted by CMS and offers financial benefits that other options, such as cash, cannot match.

