Morgan Stanley

From Legal Settlements to

Financial Strategies

What Are Your Hopes and Dreams?

A wrongful death or physical injury case can shatter some aspirations but perhaps create others. You may simply be seeking to remain as independent as possible. You may be a parent who wants to make certain that your child will be well taken care of when you're no longer able. You may require a reconfiguration of your house to accommodate physical limitations. Whatever the case, your legal settlement can go a long way toward helping you reach your objectives...provided you plan for them in advance.

At Morgan Stanley, we offer a comprehensive wealth management approach that has helped numerous individuals plan for the financial future they deserve.

Our approach considers every aspect of your finances, including:

Immediate Needs

How much of the settlement should be paid in cash for immediate expenses like home modifications or the purchase of a specialized vehicle?

Income

Should part of the settlement be paid as a structured settlement to help provide the income necessary to meet ongoing expenses?

Future Liquidity

How should funds be invested to help you meet projected and unforeseen obligations?

Trusts

Would it be advisable to establish a Supplemental Needs Trust or other account structure to help protect assets or preserve any government benefits to which you are entitled?

Our objective is the same as yours—to help provide you with financial advice for the rest of your life and fulfill your hopes and dreams without compromise.

The Approach in Action

To implement the strategy, you may choose from a number of alternatives:

STRUCTURED SETTLEMENTS are a series of periodic payments that offer an alternative for individuals who require ongoing income or lack the capability to manage large sums of money. Structured settlements may be negotiated by attorneys or mandated by a court. They can be designed to:

- Provide payments over a specific number of years, your lifetime or even the joint lifetime of you and your spouse.
- Adjust payments annually for inflation.
- Provide additional payments for such anticipated needs as medical expenses, college tuition and retirement.

Structured settlements may offer benefits to all parties affected by wrongful death and physical injury cases. They may facilitate pretrial settlements and, importantly, provide a stream of payments to you that are tax-free at both the federal and state levels. In our experience, a structured settlement may be only one component of a viable settlement solution. The recommended size of the structured settlement may depend on a realistic assessment of how much will be required to meet monthly expenses throughout your lifetime.

LUMP SUM PAYMENTS may be advisable in cases where you need funds immediately to meet pressing expenses or purchase goods and services that will help improve the quality of your life—a home remodeling or specially equipped vehicle, for example.

SUPPLEMENTAL (OR SPECIAL) NEEDS TRUSTS can make sense when outright payments or structured settlements will render you ineligible for government benefits like Medicaid and Supplemental Security Insurance (SSI). These funds, held in a properly set-up trust, may be utilized to supplement care not covered by insurance or other benefits. When you are under the age of 18, eligibility for benefits is based on your parents' income and assets. Once you reach the age of majority, depending on the state where you live, eligibility is based on your own income and assets. It is not usually recommended for assets or income to be made directly available to claimants as these funds might disqualify you from receiving benefits that could help enhance your life. A properly created Supplemental (or Special) Needs Trust may enable you to maintain eligibility for benefits that might help you enjoy a higher standard of living.

OTHER TRUSTS or account structures may be beneficial based on individual circumstances, for example, to help minimize taxes and provide liquidity to meet unforeseen expenses.

Structuring Attorney Fees

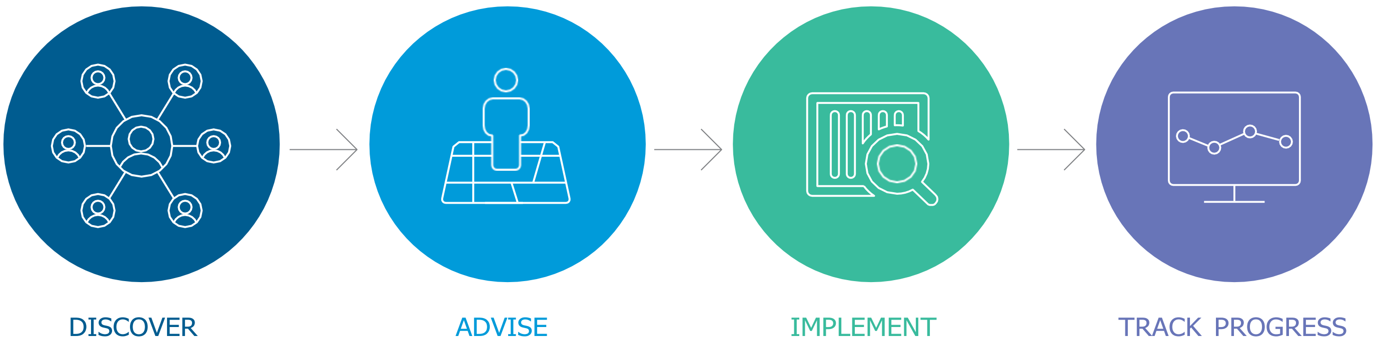
Attorney fees in wrongful death and personal injury cases can be substantial. If they are paid in a lump sum, they generate an immediate tax liability that can reduce net fees considerably and even push the attorney into a higher tax bracket.

At Morgan Stanley, we work with attorneys to provide guidance to structure the payment of attorney's fees:

- Unlike structured settlements, structured attorney fees are not exempt from federal and state income tax but may remain tax-deferred until payments are actually distributed.
- Attorneys may spread the payment of their fees over a period of years and then only pay taxes upon receipt. It is also possible to receive a partial lump sum and spread the remaining fees over time.
- Attorneys may schedule future lump sum payments to meet projected expenses like their own children's college tuition.
- Attorneys may defer payments for a period of years before receiving them. For example, a 55-year-old attorney may defer payments until age 65, at which time the payments function in lieu of a pension plan.

How We Work With Clients

Our personalized Goals Planning System (GPS) process begins before a final settlement is awarded. Typically, we employ the following four-step process:



DISCOVER

Before we offer a single recommendation, we take the time to understand who you are and what you really hope to achieve for yourself and your family. That means an in-depth discussion with you and your attorney to explore your current finances, future objectives, current risk tolerance, physical needs and other circumstances that might assist us in developing a customized plan.

ADVISE

We analyze your input and, in coordination with your attorney and accountant, help develop a strategy that contains specific recommendations designed to help meet the objectives you established. Recommendations may encompass such varied disciplines as structured settlements, Supplemental Needs Trusts and, of course, investments.

IMPLEMENT

Typically, these arrangements may require the services of several professionals— structured settlement brokers, bank or trust officers, attorneys and investment advisors—who may or may not create their specialized strategies in a coordinated manner. At Morgan Stanley, we offer access to professionals well versed in the settlement process[1]. The Insured Solutions team conducts ongoing due diligence on a number of highly rated insurance carriers. Similarly, Morgan Stanley provides corporate trustee services through several third-party trust company bank partners who are vetted through ongoing due diligence processes. When one of our corporate trustee partners is serving as trustee or co-trustee, investment management services are provided by Morgan Stanley and the Financial Advisor. This maintains an existing client/ Financial Advisor relationship or enhances a new relationship.

TRACK PROGRESS

Morgan Stanley's investment capabilities help provide you and your attorney with post-settlement services that traditional structured settlement brokers may not be able to provide. We consider your total picture beyond investments by providing guidance to develop spending discipline and address your estate, tax and insurance planning concerns. We also strive to keep abreast of your changing financial needs and help provide viable solutions to help you meet them. This means working with your Financial Advisor to monitor your situation and adjust as necessary so that your assets are positioned to help meet your changing circumstances, as well as fluctuating market conditions.

[1] Morgan Stanley offers structured settlements through a third-party provider that is not affiliated with Morgan Stanley. Clients work directly with the third-party provider during the application process.

A Single Source

At Morgan Stanley, we do not believe in one-size-fits-all solutions. We do believe that strategies must be created within the context of our clients' overall financial pictures to be successful. We also believe that coordination is best achieved among professionals when they are all working at the same table. Our approach to settlements is as convenient as it is comprehensive.

We help you implement a plan that may include:

Structured settlements

Structured attorney fees

Traditional wealth planning

Various trusts including Supplemental (or Special) Needs Trusts and other revocable and irrevocable trusts

Life insurance and long-term care

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Consider Your Own Investment Needs: This material is not intended to be a client-specific recommendation or offer to participate in any investment. Therefore, clients should not use this profile as the sole basis for investment decisions. They should consider all relevant information, including their existing portfolio, investment objectives, risk tolerance, liquidity needs and investment time horizon. Talk to your Financial Advisor/Private Wealth Advisor about what would be an appropriate investment relationship for you.

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