

What's In It For Me?

Empowering Your Finances
Preserving Your Benefits



Presented by: Midwest Special Needs Trust

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Outline for Today

- ▶ Financial options available to persons with disabilities
 - ▶ Special Needs Trusts
 - ▶ First Party Trusts
 - ▶ Third Party Trusts
 - ▶ Pooled Trusts
 - ▶ Compare Special Needs Trusts with ABLE Accounts



Special Needs Trusts Basics

- ▶ Established for the sole benefit of the person with a disability
- ▶ Financial planning tool available to individuals, families and friends
- ▶ Utilized for supplemental needs, not basic support
- ▶ Governed by trust language and applicable statutes
- ▶ Attorneys, banks, and pooled trusts are options for establishing and administering special needs trusts
- ▶ Considered an exempt asset for SSI, Medicaid, Food Stamps, and HUD housing



Special Needs Trusts-First Party Trusts

- ▶ First Party or Self Settled Trusts
 - ▶ Established by a parent, grandparent, guardian, or the court for the benefit of an individual with a disability under the age of 65
 - ▶ And now, the individual with a disability can establish their own trust
 - ▶ Beneficiary's assets
 - ▶ Typical sources of funds:
 - ▶ Back payment from Social Security
 - ▶ Unplanned inheritance
 - ▶ Settlement from a lawsuit
 - ▶ Irrevocable
 - ▶ Medicaid Payback Required



Special Needs Trusts-Third Party Trusts

- ▶ Third Party Trusts
 - ▶ Established by a Donor-Not the person with a disability
 - ▶ Donor's assets
 - ▶ Typical sources of funds include:
 - ▶ Personal funds
 - ▶ Life Insurance policies
 - ▶ Wills and Estates
 - ▶ Can be revocable or irrevocable
 - ▶ Upon beneficiary's death, assets are distributed per donor's wishes
 - ▶ No Medicaid Payback



Special Needs Trusts-Pooled Trusts

► Pooled Trusts

- Established by a nonprofit organization with individual beneficiaries creating accounts within the larger trust.
- Provides a low-cost option
- Funds placed in a pooled trust are invested together, but each beneficiary's sub-account remains his own.
- First Party Trusts must be established by parent, grandparent, guardian, the court or the disabled individual of any age*
- Remainder funds are used to help others with disabilities
 - Midwest Special Needs Trust, as a pooled trust organization, is allowed to retain a portion of the remaining balance for the MSNT Charitable Grant Program.



Allowable Distributions

- ▶ Medical
- ▶ Dental
- ▶ Supplemental or support services
- ▶ Rehabilitation training and therapy
- ▶ Education
- ▶ Irrevocable prepaid burial polices
- ▶ Clothing
- ▶ Non-food grocery items
- ▶ Transportation
- ▶ Personal property
- ▶ Travel expenses
- ▶ Home modifications
- ▶ Phone, cable, internet service
- ▶ Entertainment items and events
- ▶ ABLE Account



ABLE Accounts

- ▶ Not covering ABLE/STABLE Accounts in this presentation
- ▶ Next slides do provide a comparison on Special Needs Trusts and ABLE Accounts and which option may be best
- ▶ For more information on ABLE Accounts:
 - ▶ <https://moable.com/>
 - ▶ <https://www.ablenrc.org/>



Comparative Analysis ABLE & SNTs

- ▶ The ABLE account may be a better option –
 - ▶ When it is desirable for the beneficiary to have more autonomy and independence and the beneficiary can responsibly manage the account
 - ▶ When smaller amounts of money are involved
 - ▶ If third party donors are not concerned with Medicaid payback provision
 - ▶ For individuals with lifelong disability who wish to conserve some assets after age 65 when subject to transfer penalties



Comparative Analysis ABLE & SNTs

- ▶ The Special Needs Trust may be a better option –
 - ▶ When ABLE annual contribution rules are too restrictive
 - ▶ When ABLE account balance limitations prohibit
 - ▶ When ABLE “disability related” needs are too restrictive and non-disability expenses are important to the donor or beneficiary (household needs, clothing, etc.)
 - ▶ When multiple accounts are necessary or preferred



Comparative Analysis ABLE & SNTs

- ▶ The Special Needs Trust may be a better option (continued) –
 - ▶ When disability occurred after beneficiary turned 26
 - ▶ To protect third party assets from Medicaid payback, allowing the donor to name other remainder beneficiaries
 - ▶ When a professional trustee with special knowledge of disability services and public benefits is essential to protect the interests of the beneficiary



Comparative Analysis ABLE & SNTs

- ▶ Both the Special Needs Trust and the ABLE Account may be used when:
 - ▶ all criteria for an ABLE account are met and
 - ▶ the proceeds can be divided between the two financial tools for maximum benefit (maximum \$17,000 to ABLE Account)
 - ▶ - supplemental needs from the SNT
 - ▶ - Qualifying Disability Expenses - including housing expenses, funeral expenses from the ABLE account
 - ▶ -transfer from SNT to ABLE account as needed



Contact Information

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Terminology

Trustee- The person or agency that holds trust assets and has legal authority and fiduciary responsibility for administering the trust. MSNT is Trustee for all MSNT trusts.

Co-Trustee- The person designated in the trust agreement responsible for working with MSNT, the Trustee. This person is responsible for making appropriate distribution requests that will increase the quality of the beneficiary's life by supplementing public benefits or other available resources.

Beneficiary - The person with a disability for whom the trust is established

Revocable - A revocable trust allows the Settlor or Co-Trustee, as authorized in the trust agreement, to withdraw or terminate the trust by written request

Irrevocable - A trust that cannot be changed or terminated by the Settlor

Medicaid Payback - A first party special needs trust established with assets of the person with a disability is considered an exempt asset. The trust remainder at closing is subject to claim by any state Medicaid program for medical expenses paid for the Life Beneficiary during their lifetime

Donor/Settlor - The person whose resources fund the trust

Abbreviations

MSNT-Midwest Special Needs Trust

SNT-Special Needs Trust