



What You Need to Know About Special Needs Trusts

Ensure that your loved ones with special needs are provided the necessary support to improve quality of life — without jeopardizing their eligibility for government benefits.

A special needs trust (SNT) is a type of grantor trust that is established to benefit a disabled or injured individual. This type of trust enables a person with a disability or illness to hold unlimited amounts of assets in trust without negatively impacting the individual's eligibility to receive means-tested government benefits, such as Supplemental Security Income (SSI), Medicaid, and other forms of government assistance.

Without the protection of an SNT, an individual is generally ineligible to receive means-tested government benefits if he or she has assets greater than \$2,000. This means that the acceptance and investment of settlement proceeds — in an amount greater than \$2,000 — will disqualify the individual from accessing means-tested government programs.

SNTs provide for a disabled individual's supplemental care over and above what is otherwise provided for through government benefit programs. The trust is designed to pay for items not covered by government benefits. For example, an SNT can provide for the beneficiary's education, counseling, recreation, supplemental medical and dental expenses, annual check-ups, special medical equipment, transportation, electronic equipment, household furnishings, and vacations. Funds can also be used to purchase food and shelter, provided that these items run the risk of causing a reduction in the beneficiary's receipt of any SSI benefits. Therefore, food and shelter purchases are often best satisfied through an ABLE account, when available.

Homes and vehicles are two of the most common purchase requests to be made from an SNT. While these purchases are allowed, it is important that a trustee purchase them in a way that avoids over-allocating the trust's assets to either a home or vehicle or unnecessarily exposes the trust to liability. Trustees must maintain open communication with the beneficiary to ensure every purchase is completed in a manner that protects the best interests of the trust and its beneficiary.

SNTs are often referred to as *payback trusts*. SNTs or payback trusts are created by a disabled individual, under the age of 65, for their own benefit, or by their parent, grandparent, or guardian, or by the court on his or her behalf. Once the trust is established, it is funded with the assets of the disabled individual. SNTs are often called payback trusts because the trust must provide that, upon the beneficiary's death, that any remaining trust funds first be used to reimburse any Medicaid benefits previously paid on behalf of the beneficiary. The remaining assets are distributed only after Medicaid is reimbursed in full.

Involving the right personnel is critical. There are many options to consider when establishing an SNT. The good news, however, is you are not trying to find a needle in a haystack. Rather, you simply need to find the right collection of knowledgeable professionals who focus on serving special needs individuals. Such people include:

- **Trust Attorney:** It is important to hire an experienced trust attorney who can help identify the specific needs of the individual when drafting the trust document.
- **Professional Trustee:** Choosing the right trustee is one of the most important and critical steps in establishing an SNT. If the SNT assets are substantial, it is best to hire a professional trustee who can assist in managing the trust from both an administrative and investment perspective. A professional trustee will have the knowledge and experience to make sure the trust is established and administered properly. Additionally, professional trustees have insurance to address mistakes in administration, should such an event occur.
- **Accountant:** Engaging a qualified accountant to help with the administration of the trust will ensure the trust is not only administered correctly, but also that taxes are properly paid.

We know that understanding all the facets of an SNT can be overwhelming. As a professional corporate trustee, Advocacy Trust is ready to help educate all parties about the administrative and investment responsibilities associated with SNTs, making navigation of the world of SNTs more manageable and successful.

At Advocacy Trust, we handle all aspects of an SNT's administration, including the approval and processing of disbursement transactions, trust accounting, maintaining custody of and reporting on the assets being invested, and preparing and filing all required tax returns. In addition, every account at Advocacy Trust is assigned a premier trust officer — experienced in and knowledgeable about SNTs — to oversee the management and administration of the trust account.

Advocacy Trust is unique from other trust companies. We built a holistic platform that provides SNT families — as well as plaintiff attorneys and their clients — with the attention and guidance required to handle the complexities surrounding each trust beneficiary's individual situation. Our extensive personalized support is designed to help meet your SNT planning objectives for today and through tomorrow.

Call our trust team today at **855-879-3436** to learn more about what Advocacy Trust can do for you.



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