

Special Care with Special Needs Trusts (SNTs)

May 23, 2023

By Candace Dellacona

Providing Security and Care for our Disabled Loved Ones

I was inspired to write about Special Needs Trusts (SNTs), a legal tool that can provide security and care for our disabled loved ones, as I was waiting to cross Madison Avenue. I stood beside a woman in a wheelchair as the traffic whizzed by, impatient pedestrians hovered and huffed to move around her chair and I thought of how vulnerable she must have felt at that moment – or maybe more accurately, how vulnerable I felt on her behalf. It made me think of so many of us when planning for our loved ones with special needs: financial security and long-term care can be especially triggering.

Years ago, family members had to disinherit their disabled loved ones to ensure that their public benefits were not disturbed by an inheritance. Funds meant to support the disabled loved ones were left to someone else to manage, which often led to disaster. As a result, the concept of Special Needs Trusts (SNTs) was born. SNTs became a powerful tool to address these concerns and ensure that individuals with disabilities could maintain their eligibility for government benefits while maintaining access to the necessary financial resources.

What is a Special Needs Trust (SNT)?

A Special Needs Trust, also known as a Supplemental Needs Trust, is a legal document that holds funds for the benefit of a disabled person; the funds in an SNT are not “counted” by the government. The primary purpose of an SNT is to enhance the disabled person’s quality of life by supplementing government benefits without jeopardizing their eligibility for essential programs such as Medicaid and Supplemental Security Income (SSI).

Three Types of Special Needs Trusts

1. **First-Party Special Needs Trust:** A First-Party SNT is funded with the disabled individual’s *own* assets, such as an inheritance, personal injury settlement, or accumulated savings. The trust allows the individual to maintain eligibility for means-tested benefits. Upon the disabled person’s death, any remaining funds must reimburse the government for benefits received during the disabled person’s life.
2. **Third-Party Special Needs Trust:** A Third-Party SNT is created and funded by *someone other* than the disabled individual. Parents, grandparents, siblings, or any other loved one can establish a Third Party SNT. Unlike a First Party SNT, there is no requirement to reimburse the government for benefits received upon the beneficiary’s passing – known as a “pay-back provision.” All remaining funds can be designated for the disabled beneficiary’s heirs, the third party’s heirs, or charitable organizations.
3. **Pooled Special Needs Trust:** Pooled SNTs are administered by nonprofit organizations. Pooled SNTs allow multiple individuals with special needs to “pool” their resources into one SNT. Each beneficiary then has a separate account within the SNT, and a professional trustee from the charity manages the investment and disbursement of funds. This option is particularly beneficial for those without substantial assets or when family members cannot assume the responsibilities of managing a trust.

Benefits of Special Needs Trusts

1. **Preserving Government Benefits:** One of the primary advantages of an SNT is that it enables individuals with disabilities to continue receiving crucial government benefits. The assets held in a properly drafted SNT allow the disabled individual to maintain eligibility for these programs, thus ensuring access to vital healthcare services, income support, and other assistance like housing allowances.
2. **Supplementing Basic Needs:** SNTs provide a supplemental source of funds that can be used to enhance the beneficiary’s quality of life. These funds may cover expenses not typically covered by government benefits, such as education, therapy, specialized equipment, home modifications, transportation, and recreational activities.
3. **Professional Management:** Trusts require careful management to ensure compliance with legal and financial regulations. Professional trustees handle investment decisions, disbursements, and record-keeping responsibilities, alleviating the burden of family members and ensuring the trust is managed effectively and in the beneficiary’s best interest.

4. **Peace of Mind:** By establishing an SNT, families gain peace of mind knowing that their disabled loved one will have the necessary financial resources and care even after they are no longer around. Establishing an SNT can provide a sense of security for both the beneficiary and their family.

SNTs play a vital role in securing the future of individuals with disabilities by providing them with financial resources, care, and an enhanced quality of life. SNTs provide families a means to protect their disabled loved ones' eligibility for government benefits while supplementing those needs.

If you would like more information on Special Needs Trusts (SNTs) and how these and other legal tools can provide security and care for your disabled loved ones, please [feel free to contact me](#).

If you want to learn more about how you can benefit your favorite charity while creating an income stream for you or your beneficiaries, check out my post on Charitable Remainder Trusts by [clicking here](#).