

What's In It For Me?

Empowering Your Finances
Preserving Your Benefits



Presented by: Midwest Special Needs Trust

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Objectives

To provide an overview of:

- ▶ Financial options available to persons with disabilities
 - ▶ Special Needs Trusts
 - ▶ First Party Trusts
 - ▶ Third Party Trusts
 - ▶ Pooled Trusts
 - ▶ ABLE Accounts
- ▶ Important Considerations
- ▶ Charitable Grant Program



Special Needs Trusts and ABLE Accounts

IMPORTANT TO REMEMBER!

Both the Special Needs Trust and the ABLE Accounts are financial planning tools intended to work the same way:

To give individuals with disabilities the ability to save without losing their public benefit eligibility.

The personal financial situation of the individual-and the specific circumstances-will determine which is the most beneficial or if the answer is BOTH!



Special Needs Trusts Basics

- ▶ Established for the sole benefit of the person living 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



Allowable Distributions

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



Special Needs Trusts-First Party 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



Scenarios for Discussion

Kelly, a 9-month-old with a physical disability, receives a personal injury settlement in the amount of \$100,000.

Would a First Party Trust be appropriate?



Yes!

These funds are Kelly's, so
a First Party Trust would
be appropriate.



Scenarios for Discussion

Joseph, a 12-year-old with a developmental disability, receives an unplanned inheritance from his grandmother. Would a First Party Trust be appropriate?



Yes!

Since these funds are from an unplanned inheritance a First Party Trust would be appropriate.



Scenarios for Discussion

Susie is 36 years old and was diagnosed with a disabling mental illness. She receives a Supplemental Security Income back pay of \$16,000. She is also a recipient of Medicaid. Would a First Party Trust be appropriate?



Yes!

Since the funds are from a Social Security back payment, a First Party Trust would be appropriate.



Scenarios for Discussion

Kyle is 58 years old and is living with a developmental disability. His parents planned for his inheritance to go directly to a special needs trust.

Would a First Party Trust be appropriate?

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A First Party Trust would not be appropriate in this case since Kyle's family planned ahead.



Special Needs 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



Scenarios for Discussion

Heath is a 3-month-old with a seizure disorder. His grandparents want to fund a trust for him with their life insurance policy. Would a Third Party Trust be appropriate?



Since the funds are Heath's grandparents, a Third Party Trust would be appropriate in this case.



Scenarios for Discussion

Xavier is a 5-year-old with a disability. His family has decided to save money for him, each contributing up to \$5,000. Would a Third Party Trust be appropriate?



These funds would be considered his families, so a Third Party trust would be appropriate for Xavier.



Scenarios for Discussion

Connie is a 45-year-old with a mental illness. Connie's mother left her an \$80,000 inheritance. The will directed the funds to go directly to a special needs trust. Would a Third Party Trust be appropriate?



Since Connie's mom planned ahead and provided special direction in her will as to where the funds should go a Third Party Trust is appropriate.



Scenarios for Discussion

Sandy is 60 years old with a physical disability. She receives an unplanned inheritance of \$14,000. Would a Third Party Trust be appropriate?



Since the funds are from an unplanned inheritance the money cannot go to a Third Party trust. A First Party trust would be an option for Sandy.



Special Needs Trusts-Pooled Trusts

- ▶ Provides an option for balances of all sizes
- ▶ 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 account remains his own.
- ▶ First Party Trusts must be established by parent, grandparent, guardian, the court or the individual with a disability 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.



Scenarios for Discussion

Jacob, 1 years old, has a personal injury settlement of nearly \$200,000. His family goes to a bank to set up a special needs trust. The bank does not accept the trust because the trust assets do not meet their minimum balance. Would a pooled trust be appropriate?



Pooled trusts have very low minimum balances, so a Pooled Trust would be appropriate for Jacob.

1st Party Trust



Scenarios for Discussion

Ann is 22 years old with a mental illness. She receives an unplanned inheritance of \$95,000. The attorney administering the will tells Ann she needs a special needs trust. He does not have the staff to provide the correct oversight for this type of trust. Would a pooled trust be appropriate?



A pooled trust would be appropriate for Ann.

1st Party Trust



Scenarios for Discussion

Regina is 60 years old and receives a small life insurance policy from her husband. She has not been deemed disabled by social security and is not receiving any public benefits. Would a pooled trust be appropriate?



A Pooled Trust would not be appropriate for Regina since she has not been deemed disabled and is not receiving any public benefits.



Scenarios for Discussion

Margaret is a 70-year-old living in a skilled facility. She is the beneficiary on her husband's retirement account. She needs to remain eligible for Medicaid. Would a pooled trust be appropriate?



Margaret may be eligible for a pooled trust, depending on her state's Medicaid rules. She should call both Medicaid and the pooled trust organization.



What does ABLÉ stand for?

**The Stephen Beck, Jr.,
Achieving a Better Life
Experience Act of 2014**



What is an ABLE Account?

- ▶ Available as a financial planning tool for persons with disabilities and their families
- ▶ Similar to college 529 savings plans
- ▶ Provide autonomy and independence for individuals
- ▶ Individuals must be disabled before the age 26
- ▶ Only one (1) account per person
- ▶ Up to \$15,000 in deposits per year
- ▶ SSI Benefits suspended when account exceeds \$100,000
- ▶ Required Medicaid Payback
- ▶ <https://www.moable.com/>



Qualified Disability Expenses

- ▶ Assistive technologies and personal support
- ▶ Education
- ▶ Housing
- ▶ Health and Wellness
- ▶ Transportation
- ▶ Employment Training and Support
- ▶ Financial Management and Administrative services
- ▶ Expenses, including funeral expense, after death



Scenarios for Discussion

Janie, 6 months old, is born with a developmental disability. Her grandparents want to save money for her future needs and plan to give her \$10,000 a year. Is an ABLE account appropriate?

The word "YES!" is rendered in a bold, 3D, light green font with a slight shadow underneath, positioned in the upper left corner of the slide.

The yearly amount her grandparents plan to save each year is under \$15,000 so an ABLA Account would be appropriate.



Scenarios for Discussion

Thomas, 8 years old, has a TBI from a personal injury. He receives nearly \$12,000 from his personal injury settlement. His family is planning on utilizing the funds for qualified disability expenses. Is an ABLE account appropriate?

The word "YES!" is rendered in a bold, 3D, light green font with a slight shadow underneath, positioned in the upper left corner of the slide.

The amount Thomas will receive is under \$15,000 and the fund will be used for qualified disability expenses. An ABLE Account would be appropriate.



Scenarios for Discussion

Joan, 30 years old, was disabled before the age of 26. She receives an unplanned inheritance of \$8,000. Is an ABLE account appropriate?

The word "YES!" is rendered in a bold, 3D, light green font with a slight shadow underneath, positioned in the upper left corner of the slide.

Since Joan was disabled before she was 26 years old, and the funds are under \$15,000, an ABLE Account would be appropriate.



Scenarios for Discussion

Michael, 55 years old, suffers a heart attack and is no longer able to work. SSA determines he has a disability, and he starts receiving SSDI. He receives a small SSA back pay that will put him over the asset test for Medicaid. To ensure he remains eligible for Medicaid he would like to open an ABLE Account. Is an ABLE account appropriate?



Since Michael did not become disabled until after age 26, an ABLA Account would not be appropriate.

1st Party Trust



Comparative Analysis- Special Needs Trusts vs ABLÉ Accounts

A Special Needs Trust may be a better option-

- ▶ When the annual contribution exceeds \$15,000
- ▶ When paying for “disability related” and “non-disability related” needs are important to the donor or beneficiary
- ▶ When multiple accounts are necessary or preferred
- ▶ 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- Special Needs Trusts vs ABLE Accounts

The ABLE account may be a better option-

- ▶ When the beneficiary desires to have more autonomy and independence and can responsibly manage the account
- ▶ When smaller amounts of money are involved
- ▶ If third party donors are not concerned with Medicaid payback provision
- ▶ When wanting to use funds for Qualified Disability Expenses
- ▶ For individuals who became disabled before age 26 who wish to conserve assets after age 65 when transfer penalties apply



Comparative Analysis- Special Needs Trusts vs ABLE Accounts

Both a Special Needs Trust and ABLE Account may be used when:

All criteria for a Special Needs Trust and ABLE account are met

The proceeds can be divided between the two financial tools for maximum benefit

- ▶ Supplemental Needs from the Special Needs Trust
- ▶ Qualified Disability Expenses-including housing and funeral expenses from the ABLE account
- ▶ Transfer from SNT to ABLE Account as needed



Scenarios for Discussion

James is 15 years old with a developmental disability. His grandparents want to give James money each year and have looked at both the ABLE Account and Special Needs Trusts. Which would likely be more appropriate?

Since James is a minor, and the funds are his grandparent's, a Third Party Trust would be the most appropriate.

An ABLE Account would also be an option but would depend on how much his grandparents gave him each year.

An ABLE Account would also have a Medicaid payback.



Scenarios for Discussion

Sherrie is 45 years old and developed a disability after a recent car accident. She received a personal injury settlement.

The Court ordered funds to go into a Special Needs Trust. What type of a Trust would it go into?

A First Party Trust



Scenarios for Discussion

Michael is a 22-year-old receiving a Social Security back-payment. Michael's family also wants to start putting money aside to help with extra expenses. How can Michael, and his family, accomplish their goals?

Both a Special Needs Trust and an ABLE Account could help Michael, and his family, accomplish their goals.

Since Michael is under the age of 26 he would be able to place his Social Security back-payment into an ABLE Account, depending on how much the back-payment is. He would also be able to place these funds into a First Party Trust. Michael also has the option to have both a First Party Trust and an ABLE Account.

Michael's family could contribute to Michael's ABLE Account as long as the yearly deposit does not exceed \$15,000. The ABLE account would have a Medicaid payback. Michael's family could also open a Third Party Trust for Michael, which would not have a Medicaid payback.



Important Considerations-ABLE

- ▶ Fees
- ▶ Account Limit
- ▶ Tax Considerations
- ▶ Support



Important Considerations-SNT

- ▶ Services Provided
- ▶ Trustee Availability and Knowledge
- ▶ Purpose and Mission
- ▶ Longevity
- ▶ Distribution Process
- ▶ Fees
- ▶ Pooled Trusts-Charitable Mission



Midwest Special Needs Trust-Who are we?

- ▶ History of MSNT—why are we here?
- ▶ Staff and Board of Trustees with family members with disabilities.
- ▶ Created by Missouri Statute in 1989 to serve the public
- ▶ Governor-appointed Board committed to accessibility & affordability
- ▶ Nonprofit 501(c)3
- ▶ Serves Missouri and contiguous states



Midwest Special Needs Trust-Who are we?

- ▶ Receives no state or federal appropriations
- ▶ Managed by professionals who are familiar with public funding and State and Federal laws and regulations
- ▶ Our experiences and dedication to our families allow us to understand, relate to, and make policy decisions that are best not only for our loved ones, but the beneficiaries we serve.



As Trustee, MSNT provides-


- ▶ Expertise in public benefits and policies
- ▶ Streamlined reporting for public benefit reviews
- ▶ Staff and Board of Trustees with expertise in working with individuals and families with disabilities
- ▶ MSNT trusts specifically exempted as a countable asset in MO Family Support Division policy
- ▶ MSNT recognized pooled trust by the Social Security Administration



As Trustee, MSNT provides-

- ▶ Affordable opening fees including a sliding scale
- ▶ Reasonable administrative fees
- ▶ Low minimum account balance of \$500
- ▶ Investment options available
- ▶ Amendment authority to keep trust in compliance with federal and state regulations
- ▶ Program benefits other people with disabilities through the MSNT charitable Grant Program
- ▶ Over 30 Years of experience

Charitable Grant Program





Charitable Grant Program

- ▶ Administered by Midwest Special Needs Trust
- ▶ Up to \$1,500 for items or services not otherwise covered by insurance or public benefits
- ▶ Grants can be approved for a wide variety of supplemental needs
- ▶ Two Types of Grant Categories
 - ▶ Urgent Requests-Reviewed Monthly
 - ▶ General Requests-Reviewed Quarterly



Eligibility

- ▶ Disability determined by the Social Security Administration
- ▶ Income eligibility based on Federal Poverty Guidelines
- ▶ Missouri Resident
- ▶ Does not have a SNT or ABLE Account

Application Requirements

- ▶ MSNT Application Form
- ▶ SSI/SSDI Award Letter
- ▶ Proof of all household income
- ▶ Estimate for items or services requested



Social Security Administration

ELDON J B

Date: August 09, 2014
Claim Number: XXX-XX-5913A
XXX-XX-5913DI

SAN FRANCISCO CA 94103-4215

You asked us for information from your record. The information that you requested is shown below. If you want anyone else to have this information, you may send them this letter.

Information About Current Social Security Benefits

Beginning December 2013, the full monthly Social Security benefit before any deductions is \$1,028.70.

We deduct \$0.00 for medical insurance premiums each month.

The regular monthly Social Security payment is \$1,028.00.
(We must round down to the whole dollar.)

Social Security benefits for a given month are paid the following month. (For example, Social Security benefits for March are paid in April.)

Your Social Security benefits are paid on or about the third of each month.

Information About Past Social Security Benefits



Grants available for:

- ▶ Dental Work
- ▶ Dentures
- ▶ Hearing Aids
- ▶ Eyeglasses
- ▶ Medical Equipment
- ▶ Home Modifications
- ▶ Vehicle Modifications
- ▶ Ramp
- ▶ Orthotics
- ▶ Assistive Devices
- ▶ Specialty Locks
- ▶ Household Items
- ▶ Clothing
- ▶ Camps
- ▶ Educational Conferences/Classes
- ▶ Communication Devices



General Application Deadlines

<i>Completed application with all supporting documentation submitted to MSNT by -</i>	<i>Will be reviewed & decided at -</i>	<i>Written notice of denial or approval will be sent from MSNT no later than -</i>
March 31	May Board Meeting	May 31
June 30	August Board Meeting	August 31
September 30	November Board Meeting	November 30
December 31	February Board Meeting	February 28



Recently Approved Grants

- ▶ Tammy is 16 years old with a developmental disability. The charitable grant program approved an iPad with a unique app that enables communication between Tammy and her caregivers.
- ▶ Scott is 33 years year old and has a physical disability. The charitable grant program approved a specialized lock to ensure his safety and independence in his home.
- ▶ Fran is 75 with a social security verifiable disability. The charitable grant program approved hearing aids that were not covered by insurance.
- ▶ Anthony is 2 years old with a developmental disability. The charitable grant program approved sensory equipment to enhance his daily life.



Contact Information

Midwest Special Needs Trust

PO Box 7629

Columbia, MO 65205

Phone: 573-256-5055

Toll free: 877-239-8055

Fax: 573-303-5866

Email: mftbt@midwestspecialneedstrust.org

Web: www.midwestspecialneedstrust.org

Business Hours: Mon-Fri 8:00 am-4:30 pm

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