

Special Needs Planning: Special Needs Trust

The purpose of a special needs trust is to provide financial assets for your child's future care and well being, while maintaining the child's eligibility for government benefits.

Under current federal law, an individual with more than \$2,000 in assets is disqualified from most needs-based government benefits. State assistance programs may also be based on need. If your child were to receive an inheritance from you directly, it's highly probable that the inheritance would disqualify your child from receiving needed benefits. **Do not leave assets to the child directly.**

With a special needs trust, however, you leave assets to the trust. The trust is managed by a trustee, who then can use trust assets on your child's behalf. Special needs trust requirements are stringent, so it's important that you consult with an experienced attorney in setting one up.

In a properly-structured special needs trust, the trust holds title to the property for the benefit of the disabled child or adult. The assets in the special needs trust can then be used to provide for the needs of the disabled individual, as well as to supplement benefits received from government assistance programs. For example, trust assets can be used for:

- transportation, including purchase of a vehicle;
- training, rehabilitation or education programs;
- equipment;
- medical, dental and eyesight expenses;
- entertainment;
- insurance premiums;
- companion/home health aide expenses; and
- items to enhance quality of life/self esteem.

A special needs trust can hold cash, as well as title to stocks, bonds, mutual funds, real estate and personal property. In addition, it can own and/or be the beneficiary of life insurance policies. Another use for special needs trusts is to receive any proceeds from personal injury settlements without jeopardizing eligibility for government benefits.

In order to retain eligibility for government benefits, it's important that well-intentioned family members, such as grandparents, understand that their will should bequeath assets to the special needs trust, and not directly to the disabled individual.