

FACT SHEET

What is a Special Needs Trust?

A *Special Needs Trust* is a legal document that allows a person with a disability or their family to set aside money without impacting their eligibility for Supplemental Security Income (SSI) and Medicaid. Federal regulations limit the use of the trust to the supplemental needs and for benefit of the Life Beneficiary.

What are the federal requirements for the use of a Special Needs Trust?

Special Needs Trust disbursements are to support the **supplemental needs** of the person with a disability (Life Beneficiary). This can include dental and medical services not covered by other insurance, co-pays, over the counter medicines and medical supplies, assistive/adaptive equipment, entertainment, hobbies or other personal needs and activities for the Life Beneficiary. As Trustee, Midwest Special Needs Trust (MSNT) reviews requests for funds consistent with their fiduciary responsibilities and federal requirements.

Social Security Administration (SSA) regulations are based on the assumption that SSI or other public benefits are to be used to pay for basic needs. A Special Needs Trust cannot be used to pay for rent, mortgage, utilities or food. Payment for these expenses from the trust can result in a reduction of the monthly cash benefit.

How are Special Needs Trusts funded?

DEPOSIT SOURCES FOR FIRST PARTY OR SELF-SETTLED TRUSTS FOR BENEFICIARIES <65	DEPOSIT SOURCES FOR THIRD PARTY TRUSTS	FOR FIRST PARTY TRUSTS FOR PERSONS WITH DISABILITIES ≥65
<ul style="list-style-type: none"> • Social Security backpay • Personal injury or other legal settlements • Unplanned inheritance or life insurance payments • Conserved funds 	<ul style="list-style-type: none"> • Planned inheritance from a will, trust or estate • Gifts or fundraising by family or friends 	Varies from state to state. Please call MSNT to discuss.

What is the difference between a First Party and a Third Party trust?

First Party Special Needs Trusts, also called self-settled or Medicaid payback trusts, are funded with assets or resources belonging to the person with a disability. These trusts are irrevocable and have a Medicaid payback requirement. Upon the death of the Life Beneficiary, a 25% contribution of the remainder balance is paid to the MSNT Charitable Trust if the trust was used. After payment of allowable fees and expenses, the Medicaid lien is paid. After which, any remaining balance is paid to the named remainder beneficiaries.

Third Party Special Needs Trusts are funded with assets or resources from someone other than the Life Beneficiary. These trusts can be created as revocable or irrevocable and do not have a Medicaid payback requirement. Upon the death of the Life Beneficiary a 25% contribution of the remainder balance is paid to the MSNT Charitable Trust if the trust was used. After payment of allowable fees and expenses, the remaining balance is paid to the named remainder beneficiaries.

Does the age of the person with a disability matter for First Party Special Needs Trusts?

Medicaid eligibility requirements allow states to impose a transfer penalty for people who are 65 and older. The requirements vary from state to state. Please call MSNT to discuss.

How can I establish a trust for myself or a person with a disability?

Please call or email MSNT to request the trust documents. When completed, the forms are mailed with the initial deposit to establish the trust. MSNT will deduct the calculated enrollment fee from the trust.

What decisions must be made when setting up a trust?

Completing the Trust Agreement requires consideration for the following:

- *Naming Co-Trustees and Successor Co-Trustees who are authorized to make requests for funds and communicate on behalf of the Life Beneficiary. If no one is available, MSNT will provide this service as Sole Trustee.*
- *Naming Remainder Beneficiaries who, at the death of the Life Beneficiary, will receive the remaining funds once all applicable fees, taxes, and liens are paid; and*
- *Electing investment authority and selecting an investment portfolio.*

What is the minimum amount to set up a trust with MSNT?

MSNT's minimum balance is \$1,000. An initial deposit into a trust should include the calculated enrollment fee. First Party trusts may qualify for a reduced enrollment fee based on the initial deposit on the Life Beneficiary's annual gross income.

Why use Midwest Special Needs Trust instead of a bank?

- *MSNT is governed by a public board including attorneys, financial planners, advocates and families of people with disabilities;*
- *MSNT meets federal requirements as a pooled trust,*
- *MSNT's fees make a special needs trust affordable for low and moderate income individuals and families,*
- *A trust can be established with a minimum deposit of \$1000 plus the enrollment fee,*
- *Enrollment fees for first party trust trusts are adjusted based on amount of the initial deposit and Life Beneficiary's annual gross income,*
- *Requests for funds are reviewed and processed in a timely manner,*
- *Upon request, MSNT will provide information for public benefit reviews,*
- *MSNT's staff stays current with updates and changes to public benefits important to proper special needs trust administration.*