

What is a Special Needs Trust, and How Does It Work?

Imagine you have a best friend who loves to play video games but has trouble managing their allowance. If they spend all their money at once, they won't have enough left for the things they really need, like snacks, school supplies, or a new controller when the old one breaks. So, their parents decide to help by putting the allowance in a special piggy bank that only they (the parents) can open. They use the money wisely to make sure their child always has what they need, without letting them spend it all at once.

A Special Needs Trust (SNT) works kind of like that piggy bank, but instead of being for video games, it helps people with disabilities have money for important things while still keeping their government benefits, like Medicaid and Supplemental Security Income (SSI).

Why Do People Need a Special Needs Trust?

People with disabilities sometimes get government help, like Medicaid (which pays for medical bills) and SSI (which helps pay for everyday needs). But here's the tricky part:

- If they have too much money in their bank account (usually over \$2,000), they could lose these important benefits.
- A Special Needs Trust protects their money and lets them use it without risking their benefits.

It's like having a special backpack where their money stays safe, and only a trusted person (called a trustee) can take money out to pay for what they need.

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How Does a Special Needs Trust Work?

A Special Needs Trust holds money or assets (like a house, investments, or gifts from family) for the benefit of a person with disabilities. But instead of giving the money directly to them, a trustee manages it and spends it only on things that improve their quality of life.

Here's how it works step by step:

1. **Setting Up the Trust**

- A parent, grandparent, guardian, or even the person with special needs can set up the trust.
- They put money, property, or other assets into it.

2. **Choosing a Trustee**

- A trustee is a responsible person or organization that manages the trust.
- They follow rules to spend the money wisely and make sure it's only used for approved expenses.

3. **Spending the Money**

- The trustee can use the money for extra things that Medicaid or SSI don't cover, like:
 - A wheelchair
 - Special therapy
 - A computer or iPad
 - Trips and vacations
 - A nice place to live
 - But the money cannot be used for things that the government already pays for, like rent or groceries (otherwise, benefits could be reduced).

Different Types of Special Needs Trusts

There are two main types of Special Needs Trusts:

• **First-Party Special Needs Trust**

- This trust is for money that belongs to the person with a disability (like if they get a settlement from an accident or inheritance).
- When they pass away, any money left in the trust must be paid back to Medicaid for any medical costs the government covered.

• **Third-Party Special Needs Trust**

- This trust is set up by parents, grandparents, or other loved ones who want to leave money to a person with a disability.
- When the person passes away, the money can go to other family members or charities instead of Medicaid.

Why a Special Needs Trust is Important

Without a Special Needs Trust, if a person with disabilities inherits money or wins a lawsuit, they could lose their government benefits. This means they might not have health insurance or enough money for important daily needs.

A Special Needs Trust keeps them safe financially while allowing them to have a better quality of life. It's like a protective shield that ensures their money lasts and is used wisely.

A Warm Example

Malcolm is a 25-year-old with autism. He loves painting and watching superhero movies. His parents want to make sure he has money for fun activities, art supplies, and travel when they're no longer around to take care of him.

Instead of leaving money directly to Malcolm, they set up a Special Needs Trust. This way:

- Malcolm still gets his Medicaid and SSI benefits.
- The trust pays for his art classes, movie nights, and trips to Comic-Con.
- A trusted family friend (his trustee) makes sure the money is used for things he enjoys and needs.

Malcolm's life stays full of color, adventure, and security—thanks to the Special Needs Trust!

Final Thoughts

A Special Needs Trust is a smart way to make sure a person with disabilities has money to enjoy life without losing important government benefits. It's like a safety net that helps them live independently while protecting their future.

If you or a loved one needs a Special Needs Trust, talking to an elder law attorney can help set it up the right way. It's a gift of security and love that will last a lifetime.