Pooled Special Needs Trust (PSNT) Planning: What Families Need to Know

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Our Presenters

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Parent of a child with Spina Bifida
Today’s session

• Overview of the types of Special Needs Trusts
• Reasons why families might want to establish a special needs trust
• Elements of a Pooled Special Needs Trust
• Questions and Answers
To Ask a Question

• Click on the Q&A button on your controls bar (*not the chat box*)

• Type your question in the Q&A box

• Enter your question
About Commonwealth Community Trust (CCT)

- Nonprofit Pooled Special Needs Trust Administration
- Founded in 1990 by concerned parents and professionals
- Has served over 1,700 Trust Beneficiaries nationwide
- Affordable Fees
- Collaborates with attorneys, families, financial planners, beneficiaries, and other stakeholders
- Knowledgeable staff members
  - Executive Director with over 35 years of nonprofit experience and has worked for CCT for 20 years
  - Experienced attorney on staff
  - Master-level Social Workers
  - Licensed Clinical Social Worker on staff
- Comprehensive and user-friendly website: www.trustCCT.org
## Special Needs Trusts

<table>
<thead>
<tr>
<th>INDIVIDUAL</th>
<th>POOLED</th>
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<tbody>
<tr>
<td>• Typically administered by a family member or financial institution</td>
<td>• Assets are “Pooled” to provide lower administrative fees, opportunity for higher returns on investments and a smaller minimum account requirement</td>
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<tr>
<td>• Although most do, beneficiaries are not required to have a specific disability</td>
<td>• Administered by a non-profit organization</td>
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<tr>
<td>• Trustee must file taxes and other regulatory filings</td>
<td>• All beneficiaries have disabilities</td>
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<tr>
<td>• Trustee may not have knowledge of the rules governing Supplemental Security Income (SSI) and/or Medicaid</td>
<td>• Staff has expertise in public benefits rules</td>
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<td>• Trust tax returns and filings completed by nonprofit</td>
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Each has advantages that require careful considerations to determine which option best meets your family’s needs.
We established a Special Needs Trust for our daughter

- Who will care for my daughter if I can’t?
- How and where to get started?
- How should we select an attorney?
- The scariest part: setting up the trust account.
- How can we protect money that family members put in their will?
A Pooled Special Needs Trust (PSNT) Organization

- Non-profit organization
- Provide specialized SNT administration
- Funds are professionally managed
- All Beneficiaries must have special needs
- Trust provide SSI and Medicaid benefits protection
Roles and Responsibilities of the Trust Administrator (or Trustee)

- Utilize the funds for the benefit of the trust Beneficiary
- Keep the best interest of the Beneficiary in mind
- Understand public benefits and keep up with changing rules
- Invest trust assets wisely and follow fiduciary requirements
- Maintain accurate accounting
Pooled Trust Funds, Fund Management and Fees

- Funds are grouped together, or “pooled,” for investment purposes
- Each Beneficiary has his or her own sub account
- Lower fees when compared to most other financial institutions and professional trustee options
  - Banks or financial firms often require accounts to have a minimum of $300,000-$500,000 for an individual special needs trust and may have higher ongoing administration and investment fees.
- Authorized parties have access to financial statements
Two Most Common Types of Pooled Special Needs Trusts:

<table>
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<tr>
<th>Third-Party Pooled Special Needs Trust</th>
<th>First-Party Pooled Special Needs Trust</th>
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<tbody>
<tr>
<td>Grantor can be a parent, family member or a third-party.</td>
<td>Grantor can be the Beneficiary, the Beneficiary’s Guardian, parent, or grandparent, or Court.</td>
</tr>
<tr>
<td>Funds Estate Plans, Life Insurance Policy, Investments, Retirement Accounts or other assets.</td>
<td>Funds usually from a personal injury or workers’ compensation award, direct inheritance, the beneficiary’s own funds or Social Security back payment.</td>
</tr>
<tr>
<td>Revocable or Irrevocable</td>
<td>Irrevocable</td>
</tr>
<tr>
<td>NOT subject to Medicaid payback</td>
<td>Subject to Medicaid payback</td>
</tr>
<tr>
<td>No Age Limitation</td>
<td>Age Limitation: A transfer of assets penalty may apply if the Beneficiary is 65 years old or older (varies by state). Contact CCT for more information.</td>
</tr>
</tbody>
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How the Pooled Special Needs Trust Account Works

• An Advocate is named who works directly with the Pooled Trust Administrator to request disbursements and share information about the Beneficiary
  • Beneficiary
  • Sibling or Relative
  • Guardian or Power of Attorney or Conservator
  • Caseworker
  • Other friend
• Attention must be given to protect Medicaid and SSI, for a beneficiary who receives these benefits
• Each Beneficiary has a separate statement for his or her sub-account
• All deposit and disbursements clearly shown
Responsibilities of the Pooled Trust Administrator

- Review and make disbursement decisions
- Income and principal is distributed for the Beneficiary at the sole discretion of the Pooled Trust Administrator
- Management and investment of trust funds
- Reports to Social Security Administration and Medicaid
- Financial statements provided online or by mail to Advocate(s)
- A Schedule K-1 is sent annually reporting income from the sub-account
Examples of How the Trust Can Be Funded

- Inheritance
- Life insurance policy
- Employer Benefits
- Gifts from friends and family
Examples of How the Trust Can be Used

✓ Medication and Devices
✓ Medical Services
✓ Assistive Technology
✓ Education
✓ Vehicle
✓ Housing
✓ Home Modifications
✓ Home Repairs and Upkeep

✓ Clothing
✓ Household Bills
✓ Care Providers
✓ Vacations
✓ Family Travel
✓ Mileage
✓ Pre-need Burial Expenses
✓ Case Managers
Best-Practices Criteria for Reviewing Disbursement Requests

- Whether the request is prudent
- Whether the request would jeopardize benefits (SSI and Medicaid)
- Whether the request is for the sole benefit of the Beneficiary which is most important for SSI and Medicaid recipients
- Whether the request is consistent with the intent of the Grantor
Benefits of a Pooled Special Needs Trust

Benefit #1: Oversight and Objectivity

If you are concerned that a loved one may need help managing funds, a PSNT will put into place a trust administrator who has the responsibility of making sure funds for are:

1) used for his/her benefit
2) spent prudently
3) properly managed/invested
Benefit #2: Public Benefits Protection

**IMPORTANT!**
To qualify for these benefits, an individual cannot have over $2,000 in countable assets.

**PSNT assets are not countable!**

The Pooled Trust Administrator is knowledgeable about the rules regarding Medicaid and SSI.
Benefit #3: Affordable, Comprehensive and Specialized Trust Services

• Specialization in working with individuals with special needs and their representatives
• Lower trust administration and investment fees
• Disbursement decisions that follow the sole benefit rule
Establishing a pooled special needs trust is an opportunity to seriously consider how a loved one’s life may change in the future, and to provide information about his or her care, living arrangements and other needs.
Next Steps

- Determine what resources will fund the trust.

- Meet with an estate planning attorney who is familiar with special needs planning if a special needs trust will be a part of a will or estate plan.

- Update all beneficiary designations and notify anyone who may leave the individual with special needs an inheritance or monetary gift.

- Revisit the trust periodically or if family situation changes.
How to Establish a PSNT

1. **Joinder Agreement:** Legal document required to join

2. **Fee Schedule:** Includes the enrollment, ongoing administration, investment and other fees

3. **Family and Beneficiary Information (Letter of Intent)**
   Though not required, this can be helpful to the Pooled Trust Administrator.
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Links to More Information

• **About Commonwealth Community Trust**

• **Special Needs Alliance** – National alliance of attorneys for special needs planning

• **Forbes Magazine article about Special Needs Trusts**

• **AARP, “How Parents Can Build a Support System for Adult Children With Disabilities”**
  • Features a list of other organizations that can provide information and guidance
View the recordings and resources: spinabifidaassociation.org

Do you have questions for Joanne Marcus of CCT?

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