

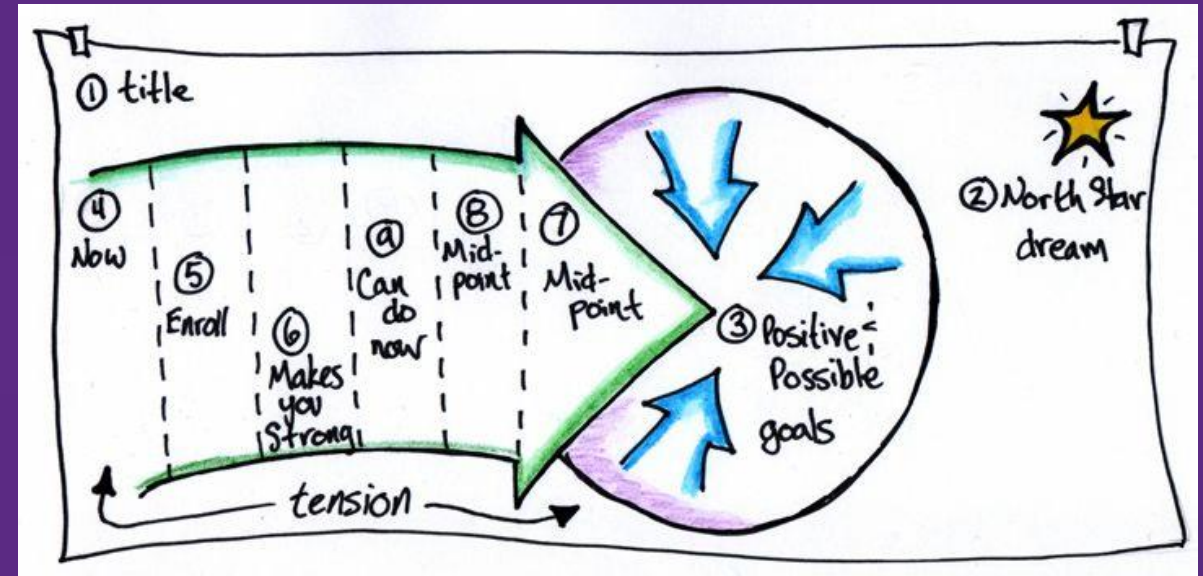
# Special Needs Trusts and ABLE

*What you need to know!*

# What we will talk about today

1. Future Planning Introduction
2. What is a Special Needs Trust?
3. What is the Master Pooled Trust (MPT)?
4. What is an ABLE account?
5. Questions?

# Things to Consider when planning for the future!



- ✓ Family
- ✓ Friends
- ✓ Home
- ✓ Will
- ✓ Life Insurance
- ✓ 401 K/IRA
- ✓ Savings
- ✓ Letter of Intent
- ✓ Trusts
- ✓ ABLE
- ✓ Supported Decision Making
- ✓ Powers of Attorney
- ✓ Guardianship

# The Arc Center for Future Planning

The Arc US has some great resources to begin your future planning.

<https://futureplanning.thearc.org>



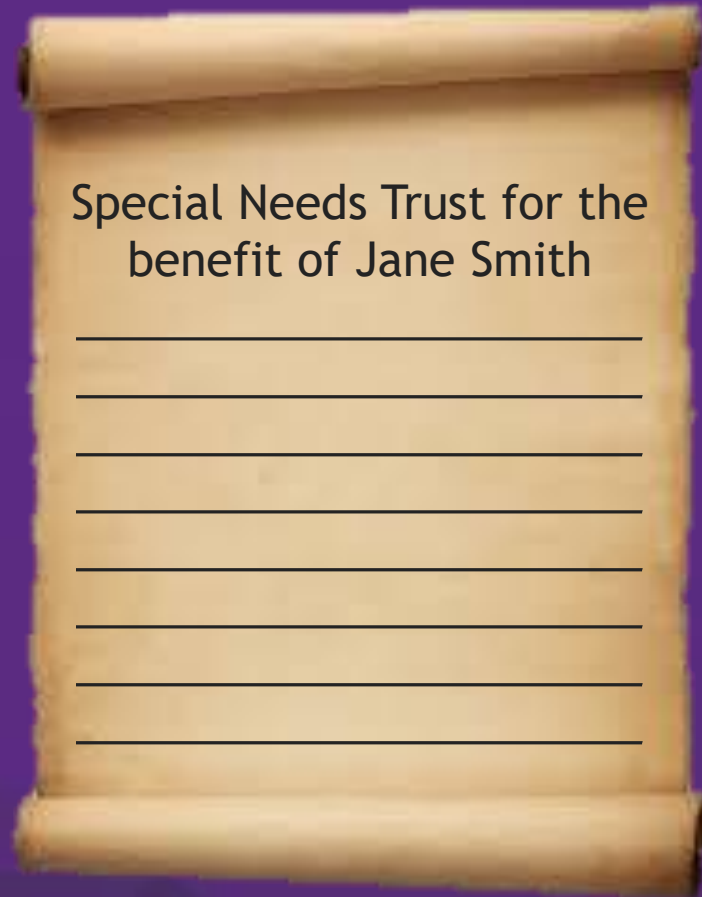
# SNTs- Special or Supplemental Needs Trusts

# What is a Trust?

- A trust is a relationship where property is held by one party (a person, an organization, a bank, a group of people) for the benefit of someone else.
- Every trust has a
  - beneficiary, the person that the trust is set up to support; and a
  - trustee, the person or persons who make decisions about how the money is spent.



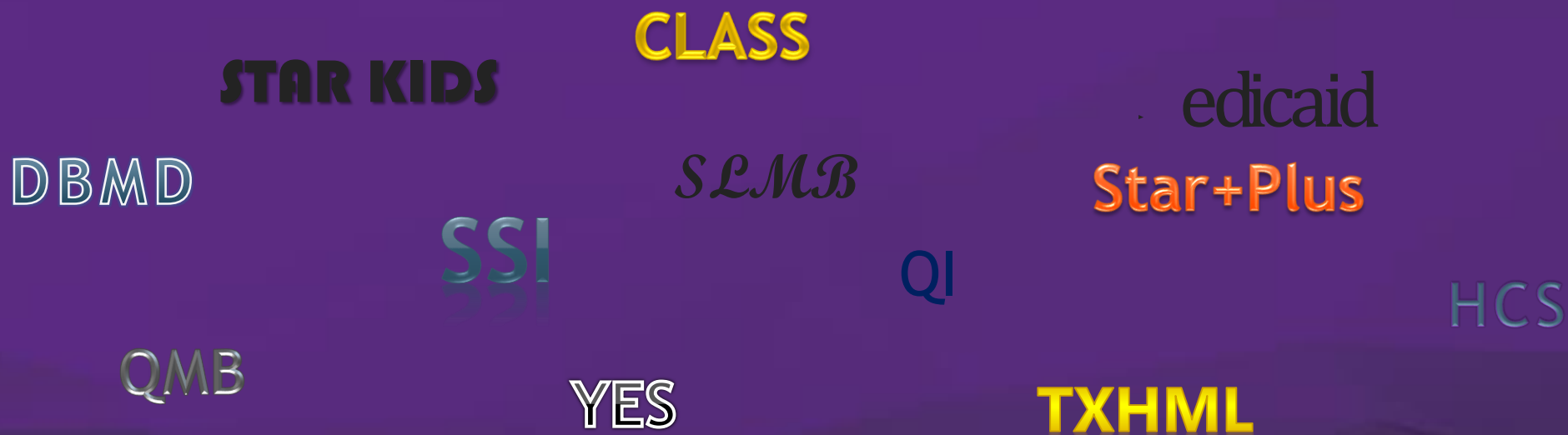
# What is a Trust?



- A trust is a document that gives the rules about what happens to the money or the property.
  - Is it spent or saved?
  - How much can be spent?
  - What can the money be used for?
  - Who can use the money?
- Is there property? What happens to that property?

# Supplemental or Special Needs Trust

- A Supplemental or Special Needs Trust (SNT) is a specialy drafted trust that allows an individual with a disability to retain assets while still keeping their means tested benefits.





# What is a Trust?

- Think of a trust as a special place in which ordinary property that you have (money, homes, land, jewelry, other items) is “placed”.
- Once it is there it takes on a sort of new identity and often is given “super powers”.



# What is an SNT's SUPER POWER?

## INVISIBILITY!!!!

An SNT's super power is the ability to make assets "invisible" for Medicaid or SSI purposes.



# Why use an SNT?

- Provide for your loved one after your passing.
- Manage money
- Protect public benefits while improving quality of life.
- Safeguard funds against predators and creditors.
- Child support for individuals over 18.



# How to use Special Needs Trusts

- SNTs are great for financial planning.
  - Included or funded with your will
  - As a Life Insurance Beneficiary
- SNTs are great for a one time windfall of money.
  - SSI Back payments
  - Lawsuit settlements
  - Inheritance
- SNTs can be used to hold property or mineral rights.



# Third Party vs. Self-Settled

## Third Party Trusts

- Third Party Trusts are funded with a third party's money on behalf of an individual with a disability.
  - Use this with a will or life insurance policy.

YOUR MONEY FOR YOUR  
LOVED ONE

## Self-Settled Trusts

- Self-Settled Trusts are funded with the beneficiary's own money, typically through personal injury settlements, SSI back payments, inheritances, or savings accounts.

A PERSON WITH A  
DISABILITY'S OWN MONEY

# Medicaid Payback and SELF SETTLED TRUSTS

- Medicaid Payback Provision
  - When the beneficiary passes away, any money left in the trust has to be used to pay the state back for any Medicaid money spent on their behalf over their lifetime.
  - ALL SNTs established with the beneficiary's own money require this provision in order to protect benefits.



# Traditional vs. Pooled

## Traditional SNT

- Traditional SNTs- a person establishes the trust through an attorney and an individual or a bank serves as the trustee.
- Individual Trust Document is created for your specific needs

## Pooled SNT

- Pooled SNTs- a person establishes the trust and a non-profit organization serves as the manager. The assets may be pooled for investment.

*The Arc of Texas*

MASTER POOLED

*trust*



# What is the Master Pooled Trust?

The Master Pooled Trust (MPT) is a pooled SNT that offers families an alternative to a traditional trust.

- The Arc of Texas serves as the Manager.
  - As the Manager, The Arc of Texas handles the day-to-day operations of the MPT.
- Providence First Trust Company serves as the Trustee.
- JP Morgan Chase is the Financial Administrator and Investment Advisor
  - JPMorgan handles the investments and sends the money to the beneficiaries and their families.

# Master Pooled Trust

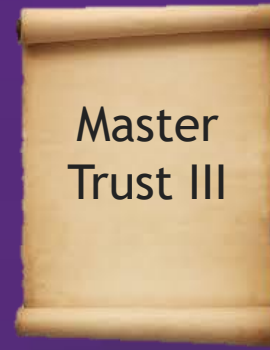
- The Master Pooled Trust (MPT) has four (I-IV) MASTER trusts that individuals or their families can “join”.
  - The MPT has over 1700 active sub-accounts.
  - These trusts are already drafted and meet SSA and Medicaid’s requirements for an SNT
  - ALL 4 Trusts can help protect benefits.



Master  
Trust I



Master  
Trust II



Master  
Trust III



Master  
Trust IV

# Master POOLED Trust

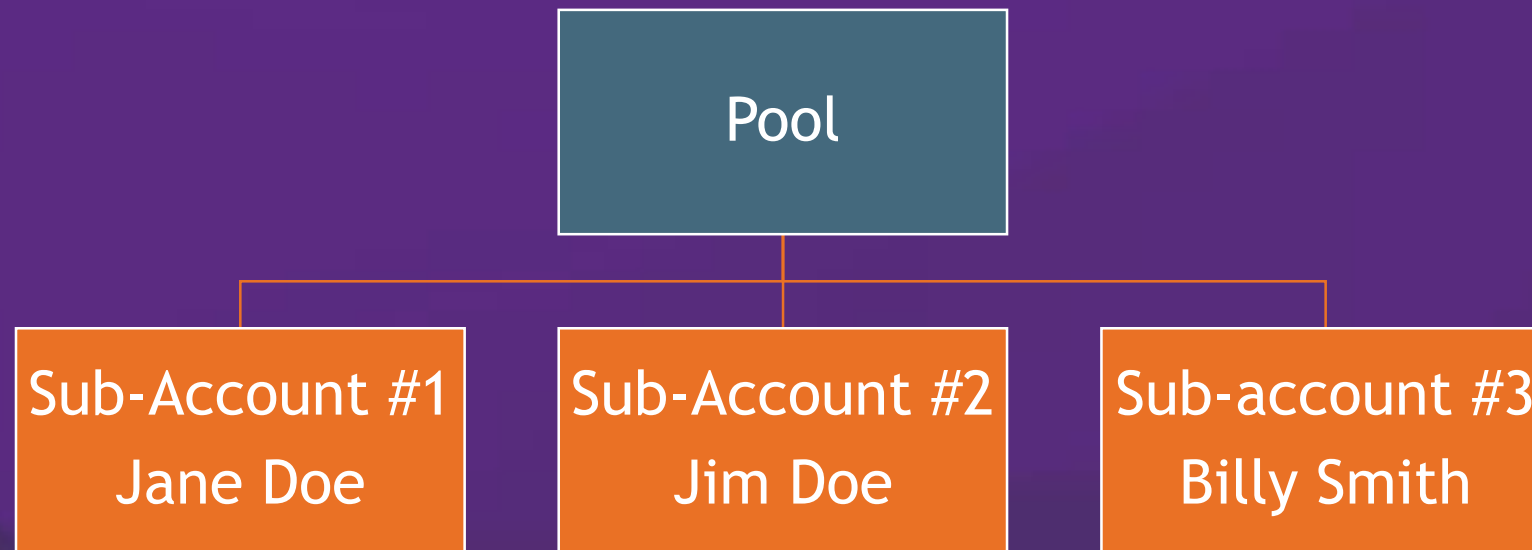
- The MPT is unique because all sub-accounts are “pooled” together for investment purposes.
- By pooling all the sub-accounts together, the trust is able to keep fees to a minimum.



\*\*\*The MPT can only accept CASH assets!\*\*\*

# Master Pooled Trust

- Each beneficiary has their own “sub-account” within the MPT.
  - This means that the beneficiary *only has access to their own personal sub-account*.



# Whose Money funds A Master Pooled Trust?

## Trust I & Trust III THIRD PARTY TRUSTS

- Funded with a third party's money on behalf of an individual with a disability.
  - Recommended for families who would like to leave money to an individual through their will or life insurance policy

**\*\*\*Trust III is Recommended\*\*\***

## Trust II & IV SELF-SETTLED TRUSTS

- Funded with the beneficiary's own money.
  - personal injury settlements
  - SSI back payments
  - inheritances or
  - savings accounts

**\*\*\*Trust IV is Recommended\*\*\***

# Types of Master Pooled Trusts

## SUPPLEMENTAL

- Trust I & II are supplemental trusts and disbursements will be made only for supplemental needs, which include most items that are NOT food or housing costs.

## DISCRETIONARY

\*\*\*RECOMMENDED\*\*\*

- Trust III & IV are discretionary trusts that allow for more flexibility. If a beneficiary does not currently need to qualify for means-tested benefits (SSI, Medicaid) or is able to take a reduction, both basic support (food and housing) and supplemental payments may be approved.

# Where does the money go when the Beneficiary Dies?

## Trust I & Trust III

- The Grantor outlines in the Joinder Agreement where or to whom the funds go
  - Ex: Siblings, children, grandchildren

## Trust II & Trust IV

- Medicaid gets paid back first!
- It is outlined in the Joinder Agreement where or to whom the funds go.

*Remaining funds may be left to the Trust BEFORE Medicaid is paid back, but there is NO REQUIREMENT to leave anything to the Trust!*

# How much does it cost?

*The Master Pooled Trust is a low cost alternative to a traditional trust.*

- Enrollment fee is \$600 (ONE TIME!)
- No Annual Fees required for unfunded accounts.
  - The account stays open and ready to receive funding but NO FEES are required until the account is funded
- Annual Fees are:
  - Minimum annual fee: \$300
  - 1.75% on the first \$50,000
  - 1.25% for amounts between \$50,001 up to \$100,000
  - 1% for amounts over \$100,000



# ABLE ACCOUNTS

[WWW.ABLENRC.ORG](http://WWW.ABLENRC.ORG)

[WWW.TEXASABLE.ORG](http://WWW.TEXASABLE.ORG)

# What is an ABLE Account?

A tax free  
SAVINGS account  
for a person with  
a disability.

\*\*\*\*These accounts DO NOT change  
INCOME rules\*\*\*\*



# The ABLE Act

- Achieving a **B**etter **L**ife **E**xperience
  - The ABLE Act is a result of over 6 years of effort on the federal level to recognize that there are additional costs associated with living with a disability.
  - The ABLE Act was signed into law by President Obama in December 2014.
  - The Texas ABLE Act, SB 1664, was signed into law by Governor Abbott on June 19th, 2015.



# Who can have an ABLE Account?

A person whose ONSET  
of disability was  
BEFORE the age of 26

*The person does not have to  
be under 26 to START an  
account.*



# Starting ABLE Accounts

How many ABLE accounts  
can a person have?

ONE!



- An Individual, Parent, Guardian or Power of Attorney holder for the individual can establish the ABLE account.
- Can be funded by anyone for a person with a disability.
- Many states have options for ABLE accounts.
- More info at [www.ablenrc.org](http://www.ablenrc.org)

# What can an ABLÉ account pay for?

## Qualified Disability Expenses

- Education
- Housing
- Transportation
- Employment training and support
- Assistive technology and related services
- Personal support services
- Health
- Prevention and wellness
- Financial management and administrative services
- Legal fees, oversight and monitoring
- Funeral and burial
- And MORE.

There is a 10% tax penalty on funds that are not used for Qualified Disability Expenses

# Who Controls the Account?

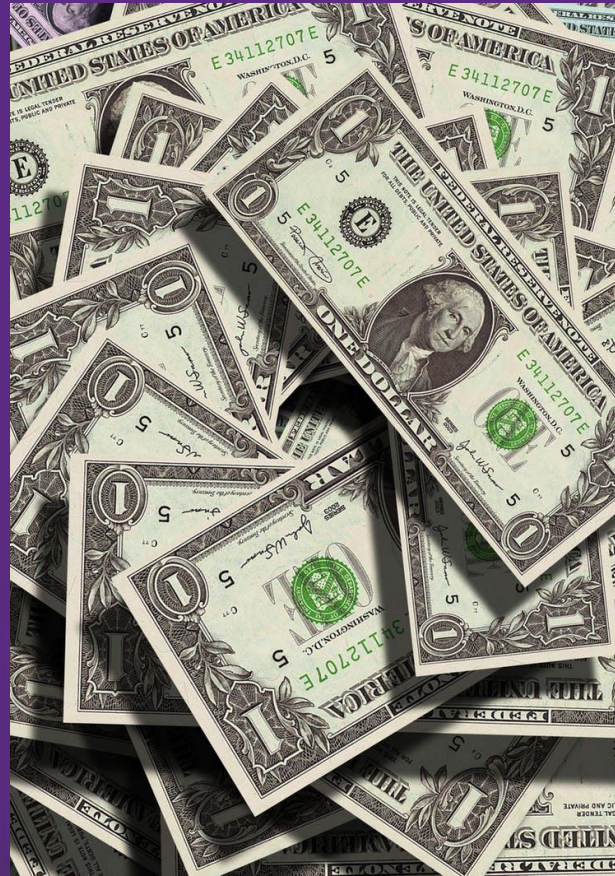
- The Person for whom it is established.
  - The individual with a disability has control over their account.
    - This also includes:
      - Parent if the individual is a minor
      - Guardian if the individual has one
      - A power of attorney if one is appointed



# How much can be contributed?

## Per Year

- In TOTAL, up to the gift tax exemption amount.
- *\$15,000\* can be contributed to the account in 2020*



## Per Lifetime

- Up to the amount allowed under 529 Educational Savings Accounts
- *\$500,000 in Texas as of 2020*
- *Each state has their own limit*



# \*Save Extra Money From Working

- The 2017 tax bill made changes to ABLE accounts.
  - Up to an additional \$12,140 of money made from WORKING can be contributed to the account.
    - You cannot contribute extra funds from working if the employer contributed to a workplace retirement plan on their behalf that year.
- You can save in 2020
  - \$15,000 from ANY source
  - \$12,140 from WORKING
- **THIS IS STILL INCOME**
  - *The earnings are still considered income for SSI and Medicaid purposes.*



# What about SSI or Medicaid Benefits?

- SSI and Medicaid are protected BUT
  - SSI cash benefits will be suspended after \$100,001 is being held in the account.
    - ***MEDICAID IS NOT SUSPENDED***

\$\$\$



# MEDICAID PAYBACK...



- ALL ABLÉ Accounts have a Medicaid Payback Provision!
  - This means when the account holder passes away, the State has the opportunity to recover any Medicaid funds that have been spent since the inception of the ABLÉ Account.

# Texas ABLE Program is OPEN!



- Minimum initial contribution to OPEN a Texas ABLE Account is \$50
- Minimum of \$25 for additional contributions.
- ALL ONLINE- Apply online, request funds online.
- Helpful documents like a power of attorney form!

[www.texasable.org](http://www.texasable.org)

EMPOWERED



INFORMED



INCLUDED



# Texas ABLE Fees & Investment Options

## Investment Options

- Managed Allocation Options:
  - Aggressive Allocation Option
  - Moderate Allocation Option
  - Moderately Conservative Allocation Option
- Bank Option:
  - Bank Savings Account Option

FEE	DESCRIPTION	AMOUNT
Monthly Account Maintenance Fee	Monthly charge to each Account (includes up to 2 ACH withdrawals per month).	\$4
Annual Print/Mail Fee	Fee for paper delivery of program documents. There is no fee if you elect e-delivery of program documents.	\$10
Returned Item Fee	Charge for processing contributions that are returned unpaid	\$20
Enrollment Fee	Fee for enrolling in the Program	None
Check Processing Fee	Charge for each check	\$5
ACH Processing Fee	Charge for each withdrawal by ACH in excess of two (2) per month	\$1

# ABLE National Resource Center

- More than 40 ABLE programs are open across the country
- Find out which one is right for you at <http://www.ablenrc.org/>
- Texas Residents may establish accounts in Texas or in other states.

# Quick Comparison- SNT/MPT and ABLE

## SNT or MPT

- A person with a disability of any\* age
- More than one account is allowed
- Any amount can be contributed each year
- Any amount may be placed in a Special Needs Trust or the Master Pooled Trust
- SSI benefits are not suspended because of balance
- Does not grow tax free

## ABLE Accounts

- Disability ONSET before the age of 26
- Only ONE account is allowed
- Amounts up to the Federal Gift Tax Exemption Amount (\$15,000 in 2020) each year
- A total of \$500,000 may be placed in the account
- SSI benefits suspended after the account has a \$100,001 balance
- Grows tax free



**The Arc**<sup>®</sup>

Texas

Contact US at: 1-800-252-9729

[Trust@TheArcOfTexas.org](mailto:Trust@TheArcOfTexas.org)

[www.TheArcOfTexas.org/Trust](http://www.TheArcOfTexas.org/Trust)