Special Needs Trust

Trusts are not just for the wealthy. In fact, trusts can benefit people of extremely modest means who may be disabled, if set up by someone other than themselves. There are many government benefits that are only available to those with limited assets and income; often similar programs and benefits are simply not available for private purchase. Accordingly, it is important to know the "rules" so that you don't inadvertently go over the limits, thereby disqualifying the disabled family member from these benefits.

If your parent or child is disabled and currently qualifies for certain government benefits, such as medical care, case management, and special programs, the last thing you want to do is transfer a large chunk of money into their name! **That would immediately disqualify them from these benefits**, forcing them to spend down the gift you just gave them until it's gone and they once again qualify for the government programs. So what good did your gifted funds do them, in that case? None! In fact, as mentioned above, it may have forced them out of certain beneficial programs available *only* to those with limited means, so you actually may have done them more harm than good.

A solution to the dilemma is to transfer your gift into the name of a trust for the benefit of your parent or child. If drafted properly, the trust can supplement but not replace the government benefits they are already receiving. The key is that the trust must not *require* the trustee to pay for the health, maintenance and support of the beneficiary (i.e., the child or parent). For example, paying for basic shelter related expenses, food, basic items of clothing, or distributing cash directly to the beneficiary for any purpose would reduce the government benefits.

So what can the trustee make distributions for, and not cause a disqualification or reduction in the beneficiary's government benefits? **Here's a list of permissible distributions you may find useful.** It is certainly not exclusive or complete, but gives you an idea of what the trust assets can be used for, to benefit your family member:

1. Automobile/van
2. Accounting services
3. Acupuncture /acupressure
4. Appliances (TV, VCR, stereo, microwave, stove, refrigerator, washer/dryer)
5. Bottled water or water service
6. Bus pass/public transportation costs
7. Camera, film recorder and tapes, development of film
8. Clubs and club dues (record clubs, book clubs, health clubs, service clubs, zoo, advocacy groups, museums)
9. Computer hardware, software, programs
    a. Internet services

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10. Conferences
11. Courses or classes (academic or recreational) including supplies
12. Curtains, blinds, drapes and the like
13. Dental work not covered by Medicaid, including anesthesia
14. Down payment on home or security deposit on apartment.
15. Dry cleaning and/or laundry services
16. Elective surgery
17. Fitness equipment
18. Funeral expenses
19. Furniture, home furnishings
20. Gasoline and/or maintenance for automobile
21. Haircuts / salon services
22. Holiday decorations, parities, dinner dances, holiday cards
23. Home alarm and/or monitoring/response system
24. Home improvements, repairs and maintenance (not covered by Medicaid), including tools to perform home improvements, repairs and maintenance by homeowner.
25. Home purchase (to the extent not covered by benefits)
26. House cleaning / maid service
27. Insurance (automobile, home and/or possessions)
28. Legal fees/advocacy
29. Linens and towel
30. Massage
31. Musical instruments (including lessons and music)
32. Non-food grocery items (laundry soap, bleach, fabric softener, deodorant, dish soap, hand and body soap, personal hygiene products, paper towels, napkins, Kleenex, toilet paper, any household cleaning products)
33. Over the counter medications (including vitamins and herbs, etc.)
34. Personal assistance services not covered by Medicaid
35. Pet and pet's supplies, veterinary services
36. Physician specialists if not covered by Medicaid
37. Private counseling if not covered by Medicaid
38. Repair services (appliance, automobile, bicycle, household, fitness equipment)
39. Snow removal/landscaping/lawn service
40. Sporting goods/equipment/uniforms/team picture
41. Stationary, stamps, cards, etc.
42. Storage Units
43. Taxi cab
44. Telephone service and equipment, including cell phone, pager, etc.
45. Therapy (physical, occupational, speech) not covered by Medicaid.
46. Tickets to concerts or sporting events (for beneficiary and an accompanying companion)
47. Transportation (automobile, motorcycle, bicycle, moped, gas, bus passes)
48. Utility bills (direct TV, cable TV, electric, heating)
49. Vacation (including paying for personal assistance to accompany the beneficiary)

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