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Estate Planning For Your Special Needs Child

Estate planning is important for all families, but especially so for families with a special needs child. This is because without appropriate estate planning, a well-meaning parent can inadvertently disqualify his or her special needs child from receiving government benefits.

Government Benefits for Special Needs Children

Supplemental Security Income (SSI), Social Security Disability Insurance (SSD), Medicare and Medicaid are government programs which offer support to disabled individuals. SSI is a needs-based program available to persons who meet welfare limitations with respect to both income and resources. In most states including Texas, people receiving SSI are automatically entitled to Medicaid.

A disabled person may be disqualified from receiving SSI and Medicaid if he receives cash or other assets through a will or as a beneficiary of a retirement account or life insurance policy. The loss of these government programs may be devastating to a person with significant disabilities.

How Estate Planning Can Help Protect Benefits for Special Needs Children

A Third Party Special Needs Trust, also called a Supplemental Needs Trust (SNT), is a trust that allows a third party to leave assets to a disabled beneficiary in a manner that both preserves the public benefits available to that beneficiary and enhances the quality of the disabled beneficiary's life.

Support trusts, which direct that funds be used for the health, welfare, and support of a beneficiary, can disqualify a disabled child because the government can require that trust funds be distributed from the trust to replace government benefits.

A Supplemental Needs Trust, however, is a discretionary trust that allows a trustee to use trust funds to supplement a beneficiary's government entitlements. Although money from a SNT cannot be used to pay for the beneficiary's basic needs, it can be used to pay for things such as vacations, summer camps, computers, haircuts, tickets to sporting events, and medical and health costs not covered by Medicaid, thereby enhancing the quality of the disabled child's life.

Because the beneficiary has no control over disbursements or the authority to revoke the trust, a SNT is not considered a resource for purposes of SSI eligibility.

If you have a special needs child, a Supplemental Needs Trust is essential to preserving his or her government benefits. Supplemental Needs Trusts are not just for wealthy people. They can be funded by bequests from a will, or with insurance money, allowing you provide for your special needs child after you die.

Source: *"Estate Planning For Your Special Needs Child"*
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