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WHY A SUPPLEMENTAL NEEDS TRUST

A Supplemental For A Developmental, Delayed Child/Adult

The primary purpose of estate planning is protecting and preserving the assets you earned throughout your lifetime for passage to children and loved one. However, Estate planning can be disconcerting and overwhelming, for most families. Discussions about Wills, and about the potential family loss of members tend to be subjects nobody likes to discuss. However, these conversations should be a true priority to ensure your loved ones receive proper care even after you or other family members are gone.

Families with a child or a loved one with a Developmentally Disability face this concern, and should protect there family. By creating a **PLAN** to care and provide for the future of the child or loved one with developmentally delays. This includes the preserving of eligibility for government benefits including Social Security Disability (SSD), Medicaid and other government funding. Questions about medical and personal care, costs and other issues, answers are not always easy to find. In today's transient world, brothers and sisters may live thousands of miles apart, be only slightly familiar with the day-to-day needs of sibling with a disability. Therefore, there may be nobody (other than possibly elderly parent), who knows about the day programs, the medical care, and the effect of an inheritance. They may need a Supplemental Special Needs Trust and *Advance planning is critical.*

There's a myth that "Trusts are for rich people." The truth is that Trusts are for anyone with child or loved one with a Disability. A Trust is a written set of instructions for managing money and assets on behalf of a beneficiary. There are many types of Trusts. They are most commonly offered by middle income and lower income families to preserve assets and to lower taxes.

According to recent studies approximately 80%-90% of parents with a child with a developmental disability will end in divorce. It is important to attempt to preserve the child's eligibility for disability benefits. In such case Trusts are relatively inexpensive to create, and estate planning is tax deductible. Special Needs Trusts are usually a one time investment.

A Trust is created by a person, the *Settlor or Grantor*, who wants to insure that certain assets are managed a specific way for a deferred purpose. These assets become the money maintained by the Trust, called the *Trust Corpus*. The Settlor can appoint a person to act as the manager of the Trust. This person is known as the *Trustee*. It is paramount that the Trustee be responsible in efficiently managing the assets of the Trust and should be someone the family can trust. In many ways, a Trust is similar to a small company, and the Trustee acts as the CEO, implementing decisions on investing and spending the money of the Trust for its specified purposes. Placing this responsibility in the wrong hands could be disastrous.

The Trust is usually formed so the assets may be utilized for the assistance and care of the Beneficiary. Simply, the Beneficiary is the person who benefits from the Trust.

A Supplemental Needs Trust (formerly known as a Special Needs Trusts) is specifically designed to work for the benefit of a person with a disability. A Special Needs Trust provides a set of instructions for managing assets set aside to assist and improve the quality of life of person with a disability. The U.S. Congress has created a special Federal law permitting the use of Special Needs Trusts. Accordingly, the utilization of a Special Needs Trust are sanctioned by law as long as the terms and conditions of the trust of life meet the requirements of the law.

A Special Needs Trust must be created for the “supplemental” care of the person with a disability, **not** for the basic support of the person. The Trust cannot pay for any housing or food. Supplemental can mean any needs, unique to each person and their disability. It has to be created and managed by a person **other** than the Beneficiary. It must be *irrevocable*, meaning that once created and funded, it’s instructions cannot be changed. In some cases the language of the Trust must contain a specific instruction allowing a paycheck to Medicaid.

The most important benefit of a Special Needs Trust is that it allows for an unlimited amount of money to be held for the benefit of a disabled person without disqualifying him for benefits.

Since so many people with disabilities require extensive medical care and may not be insurable, they frequently rely on Medicaid to pay for their medical needs. Medicaid covers all medical costs and prescriptions. Unfortunately, in order to qualify for Medicaid, a person must have less than \$2,000.00 in assets. In today’s economy, that would barely pay a month’s living expenses, excluding medical costs.

Medicaid recipients usually receive Supplemental Security Income (SSI), which can be up to \$600.00 a month in cash. These funds are meant to meet the household and food expenses of a individual with a disability. Still, over a lifetime, Medicaid coverage and SSI payments can total hundreds of thousands or even million of dollars. The loss of these benefits could be financially devastating. Any money to a Person with a Disability will disqualify eligibility for government assistance programs (SSI, Medicaid) unless placed in a Supplemental Needs Trust.

A Supplemental Needs Trust will hold additional assets available for the needs of the disabled person. These assets contained within the Trust are not counted as assets for purposes of eligibility in government assistance. Assets can be added to at any time by anyone. It can be funded by insurance or by a personal injury settlement, by a grandparent or parents, or by the Beneficiary herself (with certain limitations). There's no limit to the amount of money that can be held in the Trust. Further, the Trust can own a house or a car, or other items which would otherwise disqualify a person from governmental benefits. The disabled beneficiary can enjoy a comfortable life and still qualify for needed governmental benefits.

For More Information Regarding Special Needs Trusts Please Call

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