



Types of Special Needs Trusts

Generally, there are 2 types of special needs trusts: 1) the kind you create to leave an inheritance to a child or grandchild with a disability ("Third-Party SNT" or "Family Funded SNT") and 2) the kind that you create to qualify or requalify someone for SSI, Medicaid, and Medicaid waiver services if the person has assets over the \$2,000 countable resource limit ("First-Party SNT" or Medicaid qualifying trust or "d4A Trust"). [Assets in either type of Special needs Trust do not count as resources for SSI, Medicaid and Medicaid waiver services.](#) Here are some quick comparisons:

[A Third-Party Special Needs Trust:](#)

- Is typically created by parents or grandparents for a child/grandchild with a disability.
- Is funded by family members other than the beneficiary.
- Is used to leave an inheritance for the benefit of the child without messing up eligibility for benefits.
- Is typically funded when the parents pass away (through Wills and beneficiary designations).
- Does NOT include a Medicaid payback clause – assets left in trust when the beneficiary passes go to whomever it ways in the trust agreement (typically other family members).

[A First-Party Special Needs Trust:](#)

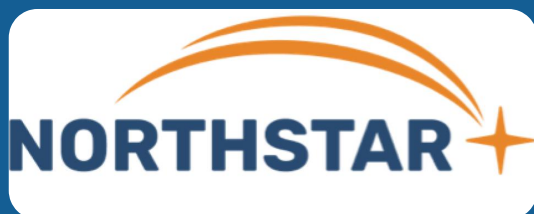
- Is typically created by the individual, parents, grandparents, conservators, or courts.
- Is funded by the beneficiary's money (from a direct inheritance or injury settlement etc.).
- Is used to qualify or requalify someone for SSI, Medicaid, Medicaid waiver services and Medicaid long-term nursing care.
- Is typically funded upon creation.
- Includes a Medicaid payback clause, meaning any assets left in this type of trust when the beneficiary passes away are to be paid to the state to reimburse it for Medicaid expenses paid on the individual's behalf.
 - Anything left in the trust after Medicaid repayment typically goes to the individual's descendants, siblings, or closest relatives.

If you would like to learn more about special needs trusts, please feel free to schedule a free consultation!

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Beneficiary Designations

Life insurance policies, 401k accounts, IRA accounts and many other investment accounts have beneficiary designations, and the assets/money in these accounts pass according to those designations when the owner passes away. If you have a Third-Party Special Needs Trust for your child/grandchild, it is important to update the beneficiary designations on your accounts to point the inheritance you want to leave for their benefit to their special needs trust instead of to them directly.

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Community Spotlight

This issue of the BeneCounsel newsletter was put together in collaboration with students from Northstar Career Center! Northstar Career Center serves juniors, seniors and young adults from the Greater Richmond area. They learn the skills necessary for competitive careers through learning hands-on instruction, work-flow management and furthering those skills with work site experiences. Northstar Career Center serves students with a wide range of abilities, including 12 of the 13 disabilities identified by IDEA (Individuals with Disabilities Education Act).

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