



SPECIAL NEEDS **PLANNING**

ABLE Accounts and Special Needs Trusts

Special needs planning can be complex, but it pays dividends that are well worth the effort. With our experienced team guiding you through every step, this process can provide clarity and confidence about the future of your loved one.

As you begin to make long-term plans for a special needs beneficiary in your life, it's critical to ensure that any funds you provide don't interfere with their eligibility to receive government benefits. Your financial advisor can help find a balance that ensures your loved one's financial needs are met and preserves their ability to receive the benefits they're entitled to.

People with disabilities may qualify to receive funds from these main government programs:

- Supplemental Security Income (SSI)
- Medicaid
- Social Security Disability Insurance (SSDI)

Eligibility for SSI and Medicaid benefits is based on financial resources. So, a well-meaning parent or guardian who sets aside funds for their loved one might inadvertently cause that person to become ineligible.

Luckily, there are ways for guardians to provide for their loved ones, largely without interfering with their benefits:

- ABLE accounts
- Special Needs Trusts

Not all financial planners will work with Special Needs Trusts, but Wealth Enhancement Group does.

WE BELIEVE THIS IS AN AREA WHERE OUR EXPERTISE CAN MAKE A MEANINGFUL DIFFERENCE IN PEOPLE'S LIVES.

¹ <https://www.ablenrc.org/employers/what-is-able/>

ABLE ACCOUNTS



The Achieving a Better Life Experience (ABLE) Act allows people to create tax-advantaged savings accounts that don't count against benefit eligibility, up to a certain point. To qualify, an individual must have been diagnosed with a significant disability before age 26.

ABLE accounts are similar to 529 college savings plans and are operated by individual states. Idaho, Wisconsin, North Dakota and South Dakota don't currently offer ABLE programs. However, a resident of those states can open an ABLE account in another state that accepts out-of-state residents.

The total annual contribution of an ABLE account cannot exceed \$16,000 (as of 2022). Each state sets its own limit for total allowable ABLE savings. This amount ranges from \$235,000 to \$550,000. Total assets over

\$100,000 will affect SSI eligibility. But even if SSI cash benefits are suspended, the beneficiary's eligibility to receive Medicaid assistance would not be impacted.¹ SSI eligibility is based on the financial assets of the individual receiving benefits, not the person's family.

ABLE account funds can be used tax-free for Qualified Disability Expenses, which are broadly defined and include housing, food and transportation. It's a good idea to keep detailed spending records. This way, if there is any question about whether an expense is qualified, your records will help explain the situation to the IRS.

Because ABLE accounts have funding limitations, families might want to consider a more flexible option: a Special Needs Trust.

SPECIAL NEEDS TRUST



Special Needs Trusts offer another way to provide funds for a beneficiary without affecting their eligibility for government assistance. Funds in the trust can be used for expenses that government benefits won't cover.

By setting up a Special Needs Trust, a parent or guardian can ensure their funds will be used as they intended. The grantor will appoint an independent trustee who must always act in the best interest of the beneficiary.

Special Needs Trusts can be complicated to set up. An experienced professional can help ensure the trust is drafted correctly so that it won't interfere with benefits or cause undesirable tax consequences.

Because of their complexity, not all financial planners will work with Special Needs Trusts. Wealth Enhancement Group does. We believe this is an area where our expertise can make a meaningful difference in people's lives. Our trust division, Wealth Enhancement Trust Services, can also serve as a Corporate Trustee if needed.

When you work with us on your special needs plan, you'll be backed by the full strength of our specialists. Our tax planning team can help you determine how much you can afford to contribute to an ABLE account or Special Needs Trust. They can ensure assets are set up in a tax-efficient way.



THERE ARE TWO MAIN TYPES OF SPECIAL NEEDS TRUSTS TO CHOOSE FROM.

FIRST-PARTY SNT – Assets in the trust come from the beneficiary. The trust must be set up by an individual under 65 who meets the official designation of "disabled."

THIRD-PARTY SNT – Assets in the trust come from another person, such as a parent, and are set aside on behalf of the beneficiary.

A KEY DIFFERENCE – Upon the death of the beneficiary, first-party trusts require a state Medicaid payback before any remaining assets can be paid out to additional beneficiaries. Third-party trusts do not have this requirement. Your advisor can help you decide which option best suits your needs.

¹ <https://www.ablenrc.org/employers/what-is-able/>