

The Law Office of
Brown & Brown, P.C.

*Estate, Trust, Tax and
Long Term Care Planning*



Attorneys at Law:

◆ Baird B. Brown ◆ Clara Brown Shaffer
◆ Shauna C. Clemmer

1250 E. Sherwood Drive, Grand Junction, CO 81501
1825 East Main Street, Ste. C, Montrose, CO 81401
(inside the offices of Decker & Cook CPA's PC)

Tel: (970) 243-8250 ◆ Fax: (970) 241-1144

www.browncandbrownpc.com

SPECIAL REPORT

- Special Needs Trusts (SNT) -

Planning for heirs with special needs takes a great amount of care and detail to ensure the plan does not negatively affect the heir, yet works in conjunction with your goals and their needs.

Who are Special Needs heirs? Special needs heirs, as the term is commonly used, generally include persons with physical and mental disabilities.

Why do they Need Protection? Often heirs with special needs require assistance with managing their assets, deciding when distributions should be made, and in many cases ensuring the heir maintains public benefits, usually through the Medicaid or supplemental security income (SSI) program.

What type of Special Needs Trusts are Available? A third party (such as a parent, sibling or grandparent) may set up such a trust for the disabled individual. Generally, this type of trust provides for a trustee to make distributions for the benefit of the trust beneficiary on terms established by the creator of the trust. To enable the trust beneficiary to receive public benefits, careful drafting of the trust is required. The trustee is usually given very broad (and discretionary) powers to make distributions to the trust beneficiary for his or her special needs.

Another type of trust which can be used is a "self-settled" Special Needs Trust. This type of trust is usually used in the circumstance where a disabled person receives an inheritance or personal injury settlement and wants to preserve his or her public benefits by transferring the inheritance or settlement to a trust, which is not considered an available asset. These types of self-settled trusts are sometimes referred to as "d4A" trusts.

Both kinds of trusts are often referred to as a SNT. They can from time to time be referred to as a "supplemental needs trust" as well.

What type of assets can be held in a Special Needs Trust? The options are really unlimited. Real estate, stocks, bonds and life insurance are all possible options.

Are there any restrictions on distributions to maintain the beneficiary's public benefits? Distributions can be made to supplement the needs of the trust beneficiary, other than for their food or shelter. The types of distributions which won't impact eligibility include, but are not limited to, transportation to see relatives, counseling, certain types of household personal property, tutors, and other "luxury" type items.