

Providing the best  
quality of life  
requires informed  
decisions.

The best way to provide compassionate care and a comfortable life to your child with special needs is to support your legal and financial decisions with reliable information and proven expertise. That's why America's finest disability attorneys have combined their talents to create the Special Needs Alliance®.

As attorneys in the field of disability and public benefits law, we help to enhance your child's quality of life. Every member of the alliance has the resources and legal expertise to help you maintain public benefits for your child and develop effective estate plans that protect your assets.

This brochure is provided as a service of Special Needs Alliance and is informational only. It is not intended to serve as legal advice or replace the advice of a legal professional.



*Special needs require special attorneys.*

Special Needs Alliance® members  
are available nationwide.

To contact a member in your area, call

**877-572-8472**

or visit us online at

[www.specialneedsalliance.org](http://www.specialneedsalliance.org)

# Special Needs Trusts

*For Litigation Proceeds*



*Special needs require special attorneys.*



## Jimmy, Age 19 Disability: Traumatic brain injury and paraplegia.

A couple of years ago, Jimmy was in an automobile accident. With the guidance of his personal injury attorney and a Special Needs Alliance® member attorney, a special needs trust was established for Jimmy, and a corporate trustee was appointed to administer the trust. Jimmy continues to live with his mother, who serves as his primary caregiver. She is compensated by the trustee from trust assets to provide his specialized care.

## How the Special Needs Alliance helped

Had the funds not been deposited in this trust, Jimmy would have been disqualified from receiving benefits from essential government programs, including Supplemental Security Income (SSI) cash benefits and

Medicaid. Furthermore, his mother would have been unable to continue to earn her living as his primary caregiver.

The trust has since paid for Jimmy's therapeutic treatments, the adaption of his home for accessibility, the purchase of a handicap-equipped vehicle to transport Jimmy to and from his medical and therapy appointments, as well as other special equipment to meet his needs. Although the trust funds may not be enough to last a lifetime, the hope of Jimmy's family is to use the trust to supplement his public benefits and to maximize his rehabilitative potential.

## The problem

If an award from a personal injury case is paid directly to a plaintiff who is receiving certain public benefits — typically SSI, Medicaid, and subsidized housing — that person could either lose those benefits or have them reduced. Frequently, the award will be exhausted quickly to pay for needed medical expenses that otherwise would have been paid by Medicaid. A personal injury attorney may be liable for malpractice and may also be guilty of an ethics violation if options to maximize qualifications for public benefits are not considered.

## The solution

Congress has authorized the establishment of self-settled special needs trusts to be coordinated with public benefit support. The award is placed in the trust, and the trustee uses the funds for the plaintiff's special needs without

jeopardizing the plaintiff's eligibility to receive certain public benefits — particularly SSI and Medicaid.

## Federal and state law

Special needs trusts are authorized by federal law under 42 U.S.C. § 1396p(d)(4)(A). Some states also have specific laws controlling the creation and administration of these trusts. The federal law requirements to establish a conforming trust are as follows:

- The trust must be funded with assets of the individual (the award).
- The individual must be under 65 years of age.
- The individual must meet the Social Security definition of disability.
- The trust must be “established for the sole benefit of” the individual.
- The trust must be “established” by a parent, grandparent, legal guardian or a by a court order; and
- Upon the death of the individual, the state Medicaid agency must be reimbursed from any remaining trust assets for payment of medical assistance on behalf of the individual.

These requirements apply to all individuals receiving Supplemental Security Income (SSI), individuals receiving Medicaid in an institution, and individuals receiving Medicaid in a community setting only in some states. Subsidized housing agencies have varying rules involving distributions from a trust. The government agency providing benefits must approve the trust.

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