



What Can My Special Needs Trust Pay For Without Affecting My Disability Benefits?

Funds held in a properly drafted special needs trust will not affect a Supplemental Security Income (SSI) or Medicaid recipient's benefits. But problems can develop when funds come out of a special needs trust. This leads to one of the most commonly asked questions about special needs trusts – what can the trust pay for?

This question is best answered by stating what a special needs trust for an SSI beneficiary should typically never do without first consulting a special needs planner: the trust should never give the beneficiary cash or a cash equivalent or pay for food or shelter.

The simplest part of this rule is the part dealing with cash. If an SSI beneficiary receives cash (or a cash equivalent like a gift card) from a trust (or anyone else for that matter), her benefit will be reduced by one dollar for each dollar received, up until the point that she loses SSI completely. This is a hard-and-fast rule and should be disregarded only after a serious conversation with an attorney.

The rules about food and shelter are a little more complicated. If a trust pays for a beneficiary's food or shelter directly to a landlord, restaurant or store, the beneficiary could lose up to one-third of her SSI benefit. In addition, payment of bills for housing-related expenses like mortgage payments, real estate taxes, utilities and condo fees are considered payments for housing that cause a similar reduction in benefits. While a one-third reduction in benefits might be a small price to pay for guaranteed shelter and meals, if the beneficiary works or receives other income, the additional one-third reduction could cause the beneficiary to actually lose SSI, and accompanying Medicaid benefits, entirely.

Once you have taken cash, housing and food off the table, a special needs trust can typically pay for most other things a beneficiary might need to supplement her lifestyle. But because these rules are very complicated, it is best to always sit down with Attorney D'Onofrio to discuss what you intend to do with your trust before making any payments to anyone.

For more information about special needs planning in general and special needs trusts in particular, contact your special needs planner today.

As a member of the Academy of Special Needs Planning, I am constantly reviewing new laws and amendments in this area of law as well as attending seminars and continuing education classes relevant to special needs planning and trusts.

Call today to schedule a free initial consultation. Call today, get peace of mind today.

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