

Securing the Future: The Advantages of Supplemental Needs Trust Planning for High Net Worth Families

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In the world of estate planning, high net worth individuals and families increasingly recognize the importance of advanced planning, including the use of supplemental needs trusts (SNTs), as a powerful tool for ensuring the well-being and financial security of their loved ones. By strategically incorporating SNT planning into a holistic estate plan, families can navigate the delicate balance between preserving assets for future generations and safeguarding the access to crucial public benefits for an individual with a disability. As medical and pharmaceutical intervention continues to extend the longevity of those with severe disabilities, the associated cost of care and support increases. Advanced planning can provide peace of mind and security for each family's unique needs.

Preserving Family Assets

One of the primary considerations for high net worth families is preserving wealth for future generations. Traditional estate planning can inadvertently jeopardize the eligibility of family members with disabilities for means-tested government assistance programs or require spend-down prior to approval. However, SNTs offer a solution by allowing families to set aside funds for the benefit of an individual with a disability without compromising their eligibility for benefits such as Medicaid or Supplemental Security Income (SSI) while simultaneously protecting those assets for future generations.

Protecting Access to Public Benefits

Public benefits play a vital role in providing medical care, income support, and other essential services for individuals with disabilities. SNTs are specifically designed to safeguard these benefits by creating a financial structure that supplements government assistance. This ensures that family members with disabilities continue to receive the support they need without jeopardizing their eligibility for critical public programs. While some families may think public programs are unnecessary, it is crucial to consider a holistic estate plan that anticipates changes to public policy and the ever-increasing cost of medical and support care. Advanced planning can help keep every available avenue of support open.

For example, children of individuals who have earned a salary and paid into Social Security over their careers are eligible for monthly benefits if the child became legally disabled prior to age 22. The childhood disability benefit (CDB) is available at one-half of the retired parent's monthly draw when it begins and increases to three-fourths after the death of that parent. This monthly payment continues for the lifetime of the child with the disability, and the total amount of support available over time can be substantial.

Types of Supplemental Needs Trusts

1. Self-Settled Trusts

A self-settled trust, also known as a first-party or “payback” trust, is funded with the assets of the individual with a disability. This type of trust is particularly relevant in situations where the individual with a disability receives a financial settlement, inheritance, or other monetary windfall. In Tennessee and Georgia, self-settled trusts must include a payback provision, requiring any remaining funds in the trust to reimburse the state for Medicaid benefits provided to the individual with a disability upon their passing.

2. Third-Party Trusts

Third-party trusts are established by someone other than the individual with a disability, typically a family member. These trusts allow families to allocate assets to benefit their loved ones with disabilities without impacting eligibility for public benefits. Unlike self-settled trusts, third-party trusts do not require a payback provision, making them an attractive option for preserving family wealth.

In conclusion, SNT planning is a powerful strategy for high net worth families seeking to secure the financial future of their loved ones with disabilities and avoid limiting avenues of support. By carefully considering the unique needs of the individual with a disability and understanding the distinctions between self-settled and third-party trusts, families can create a comprehensive plan that preserves assets, protects public benefits, and ensures a legacy of care and support to provide the greatest quality of life for their loved ones.

If you have any questions or would like to explore supplemental needs planning further, please contact our team of experienced [estate planning](#) professionals.