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What Can a Special Needs Trust Pay For?

A special needs trust is designed to provide a person with a disability the funds to enhance her quality of life while at the same time allowing her to remain eligible for needs-based public benefits. Government programs like Medicaid and Supplemental Security Income (SSI) provide essentials, such as medical care, food, clothing and shelter. Special needs trusts are intended to supplement, not replace, this kind of basic support. Such trusts pay for anything the trust document provides for, including comforts and luxuries that meager public assistance funds don't cover, hence the term "special needs."

But what are these special needs? A special needs trust has been likened to a "parent's pocket" -- that is, it pays for the kinds of things that a parent would just reach into his or her pocket to cover.

These trusts typically pay for things like education, recreation, counseling, and medical attention beyond the simple necessities of life.

Here are some examples of expenses that a special needs trust might cover:

- Medical and dental expenses not covered elsewhere
- Special equipment like wheelchairs or specially-equipped vans
- Therapy or rehabilitation services
- Training and education
- Travel, which can include the cost of a companion
- Recreation and entertainment (summer camp, movies or social events, videos, sports equipment)
- Electronic equipment and appliances, computers
- Payments for a companion
- Legal or guardianship expenses
- Insurance
- Burial expenses

And here are some things a special needs trust can spend money on that you may not have thought of:

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- a car
- a ride share membership (Uber, Lyft, etc.)
- a bus/rail pass
- a vacation
- a home
- help with starting a business

However, there are other things a special needs trust should avoid paying for. Trustees should typically never give an SSI or Medicaid beneficiary cash or a cash equivalent, or pay for food or shelter -- at least without first consulting a special needs planner. The trustee, in consultation with the planner, might want to use trust funds for food and shelter if the trustee decides doing so is in the trust beneficiary's best interest despite a possible loss or reduction in public assistance.

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