THE ARC OF TEXAS MASTER POOLED TRUST AND THE ABLE ACT: *HOW TO SAVE MONEY WITHOUT SACRIFICING SSI*

The Arc® Texas

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What we will talk about today

1. What are the Tools in your Tool Box?
2. What is the Master Pooled Trust (MPT)?
3. What is an ABLE Account?
4. Which one is right for you?
5. Questions?

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What are the Tools in your Tool Box?

Planning for the future now!

What does the future look like?

- How will your loved one be
  - Living
  - Working
  - Playing
- How much will it cost and how will I help pay for it?
  - Savings
  - Special Needs Trust
  - ABLE account

Who is going to help?

What is the Master Pooled Trust?

- The Master Pooled Trust is a unique Special Needs Trust that families, friends or loved ones can use to set-aside money for the benefit of a person with a disability while protecting SSI and Medicaid benefits.
  - Any person with a disability of ANY AGE may use a special needs trust.
  - There are no limits on how much money can be saved in a special needs trust.

What is an ABLE Account?

- A special savings account for people with disabilities where the individual and their families, friends or loved ones may save money while protecting SSI and Medicaid benefits.
  - Can only be established for individuals whose ONSET of disability is before the age of 26.
  - There is a cap for the amount that can be contributed each year.

Quick Comparison- MPT and ABLE

Master Pooled Trust

- A person with a disability of any age
- More than one account is allowed
- Any amount can be contributed each year
- Any amount may be placed in the Master Pooled Trust
- SSI benefits are not suspended because of balance
- Does not grow tax free

ABLE Accounts

- Disability ONSET before the age of 26
- Only one Account is allowed
- Amounts up to the Federal Gift Tax Exemption Amount ($14,000 in 2015) each year
- A total of $370,000 may be placed in the account
- SSI benefits suspended after the account has a $100,000.01 balance
- Grows tax free

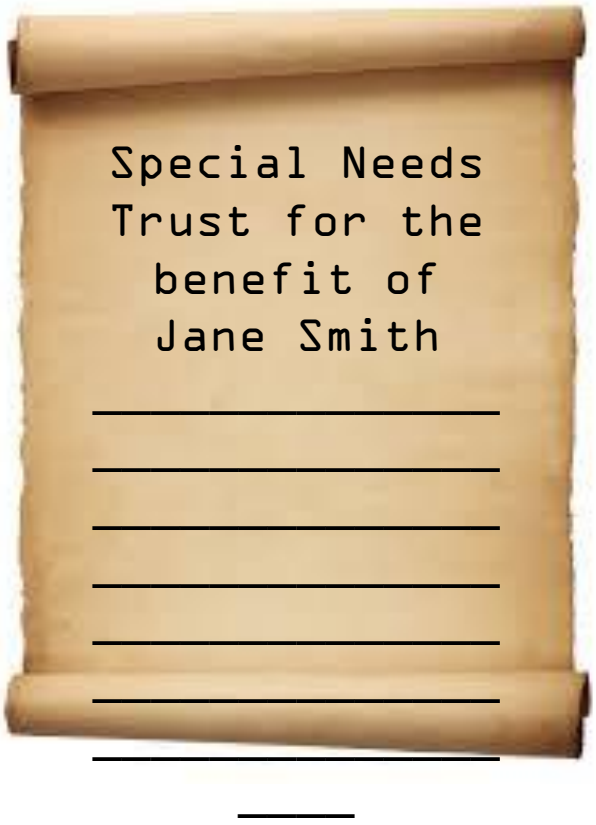
The Master Pooled Trust

What is a Trust?

- A trust is a relationship where property is held by one party (a person, an organization, a bank, a group of people) for the benefit of someone else.
- Every trust has a
  - **beneficiary**, the person that the trust is set up to support; and a
  - **trustee**, the person or persons who make decisions about how the money is spent.

What is a Trust?

- A trust is a document that gives the rules about what happens to the money or the property.
  - Is it spent or saved?
  - How much can be spent?
  - What can the money be used for?
  - Who can use the money?
  - Is there property? What happens to that property?



What is a Trust?

- Think of a trust as a special place in which ordinary property that you have (money, homes, land, jewelry, other items) is “placed”.
- Once it is there it takes on a sort of new identity and often is given “super powers”.

What is a Supplemental or Special Needs Trust?

An SNT's super power is the ability to make assets "invisible" for Medicaid or SSI purposes.

What is a Supplemental or Special Needs Trust?

- A Supplemental or Special Needs Trust (SNT) is a specially drafted trust that allows an individual with a disability to retain assets while still keeping their means tested benefits.

CLASS

Medicaid

STAR KIDS

DBMD

SLMB

Star+Plus

SSI

QI

HCS

QMB

YES

TXHML

Why use an SNT?

- It is an instrument to protect public benefits while still having access to money that can improve one's quality of life.

- It is a tool that will help provide for your loved one after your passing.

What goes in a Special Needs Trust?

- SNTs are great for financial planning.
  - Will
  - Life Insurance Beneficiary
- SNTs are great for a one time windfall of money.
  - SSI Back payments
  - Lawsuit settlements
  - Inheritance
- SNTs can be used to hold property or mineral rights.

What kinds of SNTs are there?

Traditional SNT

- Traditional SNTs- a person establishes the trust through an attorney and an individual or a bank serves as the trustee.

Pooled SNT

- Pooled SNTs- a person establishes the trust and a non-profit organization serves as the manager. The assets may be pooled together for investment.
  - Individuals can establish a pooled trust for themselves.

Third Party vs. Self-Settled

Third Party Trusts

- Third Party Trusts are funded with a third party's money on behalf of an individual with a disability.
  - Use this with a will or life insurance policy.

Self-Settled Trusts

- Self-Settled Trusts are funded with the beneficiary's own money, typically through personal injury settlements, SSI back payments, inheritances, or savings accounts.

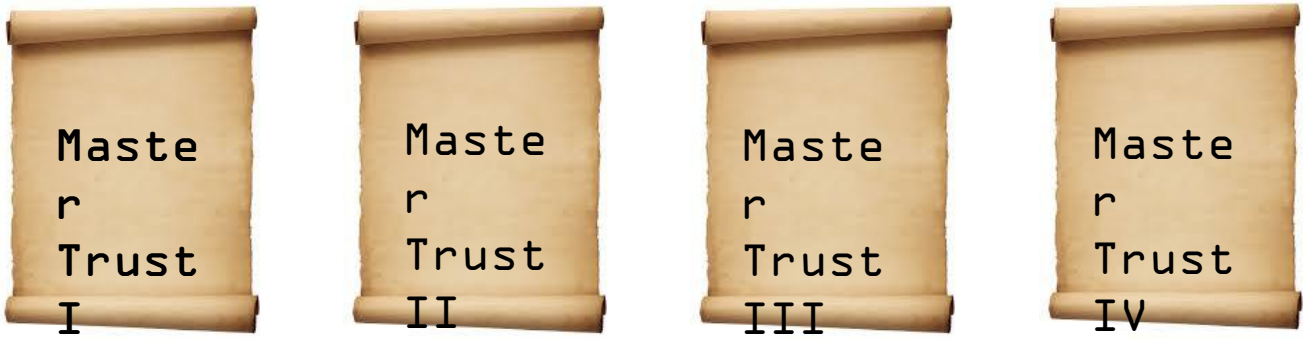
What is the Master Pooled Trust (MPT)?

The Master Pooled Trust (MPT) is a pooled SNT that offers families an alternative to a traditional trust.

- The Arc of Texas serves as the Manager.
  - As the Manager, The Arc of Texas handles the day-to-day operations of the MPT.
- JP Morgan Chase serves as the Trustee.
  - As Trustee, JP Morgan Chase handles the investments and sends the money to the beneficiaries and their families.

Master Pooled Trust

- The Master Pooled Trust (MPT) has four (I-IV) **MASTER** trusts that individuals or their families can "join".
  - The MPT currently has over 1500 active sub-accounts.
  - These trusts are already drafted and meet SSA and Medicaid's requirements for an SNT



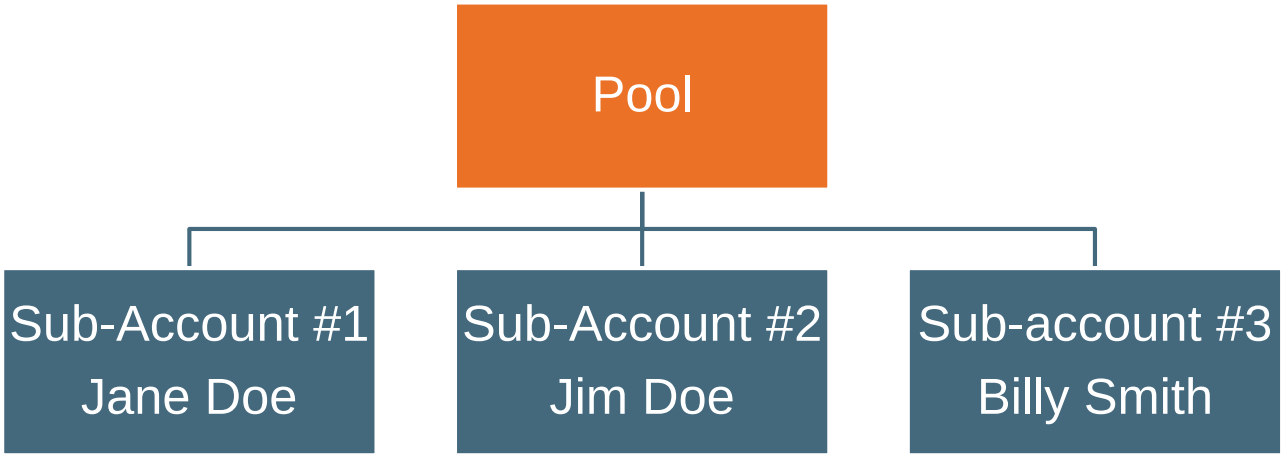
Master **POOLED** Trust

- The MPT is unique because all sub-accounts are “pooled” together for investment purposes.
- By pooling all the sub-accounts together, the trust is able to make larger investments and increase potential for better returns.

*****The MPT can only accept CASH assets!*****

Master Pooled Trust

- Each beneficiary has their own “sub-account” within the MPT.
  - This means that the beneficiary *only has access to their own personal sub-account*.



Whose Money funds the Master Pooled Trust?

Trust I & Trust III

- THIRD PARTY TRUSTS
- Funded with a ***third party's money*** on behalf of an individual with a disability.
  - Recommended for families who would like to leave money to an individual through their will or life insurance policy

*****Trust III is Recommended*****

Trust II & IV

- SELF-SETTLED TRUSTS
- funded with the ***beneficiary's own money.***
  - personal injury settlements
  - SSI back payments
  - inheritances or
  - savings accounts

*****Trust IV is Recommended*****

Types of Master Pooled Trusts

SUPPLEMENTAL

- **Trust I & II** are supplemental trusts and disbursements will be made only for supplemental needs, which include most items other than food or housing costs.

DISCRETIONARY

RECOMMENDED

- **Trust III & IV** are discretionary trusts that allow for more flexibility. If a beneficiary does not currently need to qualify for means-tested benefits (SSI, Medicaid), both basic support (food and housing) and supplemental payments may be approved.

Third Party

- Trusts I and III are third Party Trusts funded with another's money on behalf of an individual with a disability.
  - Use this with a will or life insurance policy.
  - Mom, Dad, Grandma, Grandpa, Aunt, Uncle, or Friend can place money in a Third Party Trust for an individual.
  - Provide for financial security without having to pay back Medicaid.

Medicaid Payback…

- Self-Settled Trusts or MPT Trust II and IV
  - "Medicaid Payback Provision"
    - When the beneficiary passes away, any money left in the trust has to be used to pay the state back for any Medicaid money spent on their behalf over their lifetime.
  - **ALL SNTs established with the beneficiary's own money** (like Trusts II & IV) require this provision in order to protect benefits.
  - The individual may leave money to the Trust before the state is paid back. (But there is NO REQUIREMENT to leave any money to the Trust.)

How much does it cost?

- The Master Pooled Trust is a low cost alternative to a traditional trust.
  - Enrollment fee is $600
  - Annual Fees are:
    - Minimum annual fee: $300
    - 1.75% on the first $50,000
    - 1.25% for amounts between $50,001 up to $100,000
    - 1% for amounts over $100,000
  - No Annual Fees required for unfunded accounts.

Consider the MPT

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ABLE Accounts

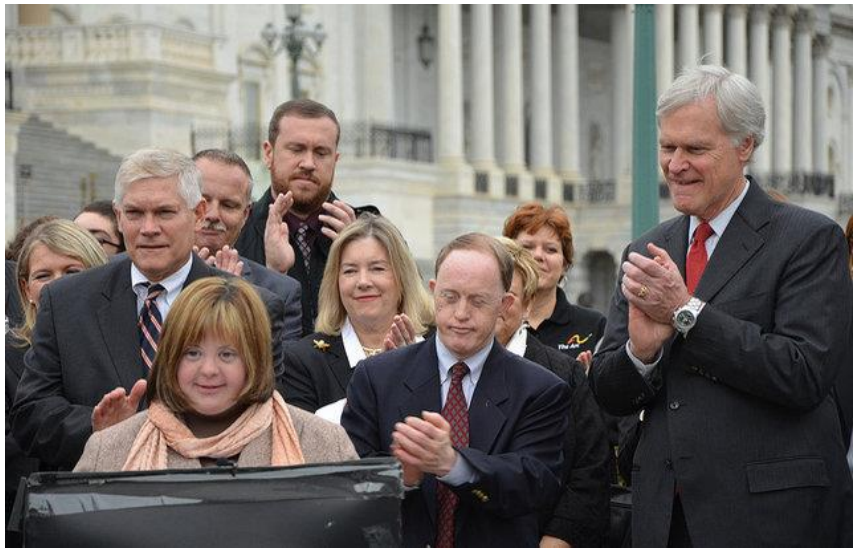
What is an ABLE Account?

A tax free **SAVINGS** account for a person with a disability.

****These accounts DO NOT change INCOME rules****

The ABLE Act

- **A**chieving a **B**etter **L**ife **E**xperience
  - The ABLE Act is a result of over 6 years of effort on the federal level to recognize that there are additional costs associated with living with a disability.



The ABLE Act

- **A**chieving a **B**etter **L**ife **E**xperience
  - The ABLE Act was signed into law by President Obama in December 2014.
  - Each state is required to pass its own ABLE Act. The Texas ABLE Act, SB 1664, was signed into law by Governor Abbott on June 19th, 2015.

Who can have an ABLE Account?

A person whose **ONSET** of disability was **BEFORE** the age of **26**

*The person **does not** have to be under 26 to START an account.*

Starting ABLE Accounts

How many ABLE accounts can a person have?

ONE!

- An Individual, Parent, Guardian or Power of Attorney holder for the individual can **establish** the ABLE account.
- Can be funded by anyone for a person with a disability.
- Several states currently have options for ABLE accounts.

What can an ABLE account pay for?

Qualified Disability Expenses

There is a **10% tax penalty** on funds that are not used for Qualified Disability Expenses

There aren't specific rules yet but here are some categories:

- Education
- Housing (SSI will likely be reduced)
- Transportation
- Employment training and support
- Assistive technology and related services
- Personal support services
- Health
- Prevention and wellness
- Financial management and administrative services
- Legal fees, oversight and monitoring
- Funeral and burial
- And MORE.

Who Controls the Account?

- The Person for whom it is established.
  - The individual with a disability has control over their account.
    - This also includes:
      - Parent if the individual is a minor
      - Guardian if the individual has one
      - A power of attorney if one is appointed

How much can be saved?

Per Year

- In TOTAL, up to the gift tax exemption amount.
- *$14,000 can be contributed to the account in 2016*

Per Lifetime

- Up to the amount allowed under 529 Educational Savings Accounts
- *$370,000 in Texas as of 2016*
- *Each state has their own limit*

What about SSI or Medicaid Benefits?

- SSI and Medicaid are protected **BUT**
  - SSI will be suspended after $100,000.01 is being held in the account.
    - ***MEDICAID IS NOT SUSPENDED***
  - SSI may be reduced if money is used for housing, food or shelter.

MEDICAID PAYBACK…

- ALL ABLE Accounts have a Medicaid Payback Provision!
  - This means when the account holder passes away, the State has the opportunity to recover any Medicaid funds that have been spent since the inception of the ABLE Account.

Texas ABLE Program

TEXAS ABLE PROGRAM IS NOT OPERATING YET!

Please visit www.texasable.org for updated information about the

Texas ABLE Program

Texas ABLE℠

Texans Achieving a Better Life Experience

ABLE Programs that are OPEN

- The ABLE National Resource Center http://ablenrc.org/
- Texas Residents may establish accounts in
  - OHIO- http://www.stableaccount.com/
  - TENNESSEE- http://www.abletn.gov/
  - NEBRASKA- https://www.enablesavings.com/

- ONLY Residents of Florida may use their ABLE program

KEEP CHECKING THE ARC OF TEXAS' WEBSITE FOR MORE INFORMATION ON THE ABLE ACT!

www.TheArcOfTexas.org

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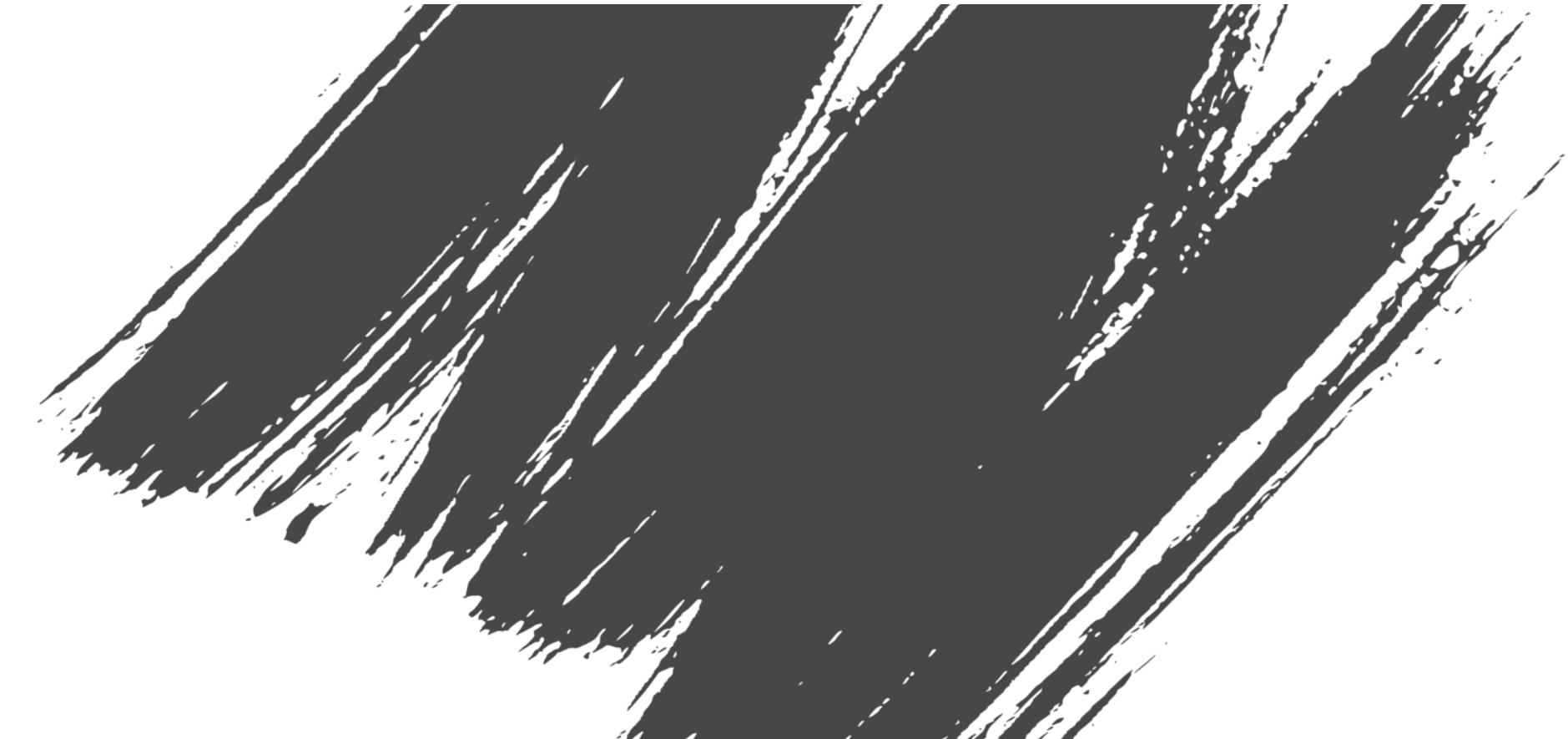
Which one is right for you?



Here are a few questions you need to answer to decide:

- How much money are you setting aside?
- When are you setting aside the money?
- Who is giving money?
- Are there siblings that you want it to go to later?
- Is there more than cash?
- Is this for after your passing?

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Questions?