11 HOW ARE TRUST FUNDS MANAGED AND INVESTED?

Each Beneficiary's trust fund is placed in a sub-account in order to facilitate combining the assets for each sub-account. Only cash deposits are accepted. The cash assets from all sub-accounts are "pooled" together and are invested and managed by Warren Averett Management. Pooling the funds reduces administrative fees and increases the principal for investment purposes. Beneficiaries of the trust receive earnings based on their share of the principal.

A financial record is maintained for each sub-account that reflects all activity in the account. Quarterly financial statements are sent to the Representative or can be accessed through the internet.

The Representative (usually a family member that oversees the needs of the Beneficiary) determines how the funds are invested.

12 WHAT ARE DISBURSEMENTS?

Disbursement are distributions made from the trust account for items not provided by government benefits that enhance your life, health, and welfare.[2]
Examples of distributions are:

- Pre-need burial
- Dental, medical, and pharmaceutical expenses not covered by Medicaid or other insurance
- Therapy or rehabilitation services
- Wheelchairs and other special equipment not covered by Medicaid or other insurance
- Psychological or counseling services
- Clothing
- Phone, cable, and Internet services
- Mileage
- Tuition, books, and tutoring
- Travel and entertainment
- Household furnishings and furniture
- Household modifications
- Durable medical equipment
- Care management
- Therapy and medications

[2] *Allowable disbursements may vary by state.*

Visit us today at www.alabamafamilytrust.com

13 WILL A SPECIAL NEEDS TRUST PUT GOVERNMENT SUPPORT AT RISK?

No. Special needs trusts are specifically set up to supplement – not replace – basic government support for the individual's needs. AFT administers the trust funds in accordance with Social Security and Medicaid regulations so the Beneficiary does not lose any government benefits due to the trust fund. As long as the trust fund is administered properly, Social Security and Medicaid will consider the trust fund to be an excluded asset in determining eligibility for government benefits.

14 HOW LONG DOES IT TAKE TO SET UP A SPECIAL NEEDS TRUST?

Setting up a trust through AFT can be done very quickly. Most clients can establish a trust account within a few days.

15 ARE SPECIAL NEEDS TRUSTS TAXABLE?

The earnings of the trust are taxable. For third-party (Complex) and first-party (Grantor) trusts, AFT prepares a Federal and State return under an EIN number that is assigned to each trust. AFT also prepares and supplies a K-1 report on earnings of the trust to the beneficiary. Please keep in mind, AFT as the Trustee has the same filing deadlines as an individual filer.

16 WHAT ARE THE COSTS FOR SETTING UP A FAMILY TRUST?

In addition to a trustee fee, there are charges to the trust for the investment administrative fees and tax return preparation costs. In all instances, the Alabama Family Trust, a nonprofit organization, works to keep fees and costs at a very reasonable and comparable rate. The current minimum initial contribution required to establish an individual trust is $1500 which includes a $750 set up fee.

AFT
ALABAMA FAMILY TRUST

Direct: 1.205.313.3915 | Toll Free: 1.844.238.4630

All information is current as of May 2022.

AFT

ALABAMA FAMILY TRUST

Administering Special Needs Trusts

AFT does not provide legal advice. You should consult with an attorney that is knowledgeable about special needs trusts. The information provided is only for general information purposes.

1 HOW DO I PAY FOR LONG TERM CARE IN A NURSING HOME?

Your limited options for paying for long term care in a nursing home are:

- Proceeds from a long term care insurance policy
- VA Aid and Attendance benefits may partially pay for a month's stay if the individual is a veteran or spouse of a veteran
- Your own assets (checking accounts, savings accounts, brokerage accounts, CDs, IRAs, land, excess vehicles, other)

2 DOES MEDICARE OR MY HEALTH INSURANCE COVER NURSING HOME CARE?

- Neither Medicare nor health insurance cover long term care in a nursing home.
- Medicare will cover 20 days of rehab in a skilled nursing home facility. Additional health insurance may cover up to 100 days of rehab in a skilled nursing home facility. Any care after 100 days is your responsibility.
- Most people are limited to the 20 days of rehab care before being required to pay for any additional days.
- MEDICAID is the program that will pay for long term nursing home care.

ALABAMAFAMILYTRUST.COM

A trust with Alabama Family Trust is easy to establish.

Visit our website for more information and to view the documents needed, or call us.

3 HOW DO I FINANCIALLY QUALIFY FOR MEDICAID?

Rules vary by state, but the general process for Medicaid to pay for longterm care is as follows:

- You pay for nursing home care from your own funds until you have $2,000 or less in assets. If you are married, your spouse's assets are included in the calculation. Your spouse will be allowed to keep a portion of the assets and the remaining assets must be spent on you until you are at or below $2,000 in assets (often referred to as the "spend down").
- You can now apply for Medicaid.
- You must still go through the Medicaid process, including an audit of how funds were used over the past five years before being approved for Medicaid. If gifts or impermissible transfers were made over the last five years, penalties may be imposed.

4 WHAT DO YOU MEAN WHEN YOU SAY MEDICAID CAN PENALIZE ME?

Except in very limited circumstances, Medicaid does not allow gifts of any amount to individuals. When you apply for Medicaid, an audit of your finances for the last five years will be performed. If you made gifts (including paying for services or things for other people or forgiving debts owed), Medicaid will penalize you for the amounts you gifted. A formula will be used to determine how many months you will be ineligible to receive Medicaid benefits because of the gifts.

5 IS THERE A WAY TO KEEP THE "SPEND DOWN"?

Placing excess assets in trust with AFT enables you to keep the "spend down." In states where it is allowed, if you are 65 years of age or older, you may place some of your assets into a special needs trust.[1] Any "spend down" assets placed in the trust are not considered by Medicaid when it is reviewing your financial eligibility.

In essence, this allows you to use your "spend down" funds to pay for things that Medicaid does not cover. The trust funds can be used for the duration of your life or until the funds are gone. Having the trust funds improves your quality of life and takes stress off family that may not have the ability to financially help you.

[1] *Currently: AK, AL, CA, CT, DE, FL, IA, ID, IN, KS, KY, MA, MD, MT, OH, OK, RI, TN, WI, WV and DC*

6 CAN AFT HELP ME IF I AM PENALIZED FOR GIFTS?

Yes. The funds placed with AFT can be used to pay for your nursing home care during the penalty period.

7 CAN I GIVE SOME OF THE TRUST FUNDS TO MY SPOUSE OR FAMILY?

No. Federal and state laws do not allow you to use the trust funds for anyone but yourself; but, you do help your family by having these funds that can provide for your extra needs.

8 WHAT HAPPENS TO MONEY PLACED IN TRUST?

The person you name as your Representative can request trust distributions on your behalf. In general, the trust can pay for most things that government benefits do not cover as long as the distribution is for your benefit. Money not spent should continue to grow based on your investment choices.

9 WHAT HAPPENS WHEN I DIE?

If your money was used to fund the trust, federal and state law requires that any funds remaining at your death first be used to reimburse Medicaid for benefits that you received from that program. If someone else created the trust for your benefit, any remaining funds will be distributed to the individuals named in the trust document after paying AFT fees.

10 DOES AFT HANDLE EVERYTHING FOR ME?

AFT cannot provide legal advice; however, we can help you complete the trust forms that are available on our website. Medicaid regulations are not easy to navigate. We recommend that you work with an elder law attorney to help you make sure you are doing everything correctly for Medicaid eligibility purposes.

AFT

SERVING THOSE WITH SPECIAL NEEDS

(205) 313-3915 TOLL FREE: 844-238-4630