

# JLA Trust & Services Presentation

Saving For The Future While Protecting Your Benefits

Tierra del Sol

October 11, 2023

**Michelle K. Wolf**  
Executive Director



# Today's Presentation

- Overview of key Government Benefits
- Purpose and use of Special Needs Trusts
- Pooled Special Needs Trusts (SNTs)
- JLA Trust: Future Funded Accounts
- CalABLE Savings Accounts
- How SNTs and CalABLE work together



## What is the main problem we are trying to solve?

How can a person with disabilities maintain their eligibility for as many government benefits as possible **and** also receive lump sum payments from an inheritance or legal settlement?

# Overview of Government Benefits

- Many government benefit programs have asset (resources) or income (monthly) limits, along with disability criteria
- Government benefits are designed to get recipients to federal poverty level
  - In 2023:
    - 100% for 1 person is \$13,590
    - 100% for a family of four is \$32,470

# Need-Based vs. Entitlement Benefits

<b>Need-Based Benefits</b> (depends on income level)	<b>Entitlement Benefits</b> (does not depend on income level)
<b>Supplemental Security Income</b> (SSI)	<b>Social Security</b> (SSDI)
<b>Medi-Cal (Medicaid)</b>	<b>Medicare</b>



## SSDI/Disabled Adult Child aka “Childhood Disabled Beneficiary Benefits”

- A parent’s child with a disability may receive a percentage of the parents’ Social Security Retirement benefits if the child was diagnosed before age 22
- Child must be over the age of 18 to receive the benefits
- Payments begin when the parent retires, becomes disabled or dies
- The Disabled Adult Child receives 50% of the parent’s Social Security retirement amount while the parent is alive (and the parent keeps getting 100%) and then 75% of the parent’s Social Security retirement amount after that parent passes

# What is Supplemental Security Income (SSI)?

- Max monthly earned income is \$1,470 in 2023
- Monthly cash benefit (\$1,133 max) from the Social Security Administration (\$914 is Federal, \$219 is CA)
- For adults aged 65 or older who are disabled and blind/disabled of any age
- Must have limited income and resources (needs based)
- Children with disabilities may also qualify if parents low-income
- **Links automatically to Medi-Cal with only \$1 of SSI**

# Online application for SSI

- **<https://www.ssa.gov/benefits/ssi/start.html>**

Social Security will ask for basic information:

- Name, date of birth, and Social Security number of the person interested in SSI
- Mailing address, phone number, and email address
- Your name, phone number, and email address (optional) if you are helping someone else

After you complete the online process, a Social Security representative schedules an appointment in 7-14 business days

# What resource are not counted for SSI?



- The house you live in
- One car (some exceptions exist)
- Life insurance policies you own with a face value of \$1,500 or less per person
- Burial plots for you or your immediate family
- A burial fund of up to \$1,500 each
- Household goods and personal effects
- Resources can't exceed \$2,000 for an individual/child or \$3,000 for couple/parents

# SSI – Understanding In-Kind Services and Maintenance (ISM)

- SSI considers financial assistance for food, shelter or basic utilities to be “in-kind” income for the following categories:

**Food\*, mortgage payments, property taxes, rent, heating fuel, gas, electricity, water, sewer, and garbage removal**

- ISM is counted if a third party such as a family member/special needs trust, pays for these items
- A penalty of 1/3 of the federal share of SSI plus \$20 will be imposed (\$324 in 2023)



# What is Medi-Cal?

- Pays for medical care, in-home caregivers, and long-term care
- Pays for durable medical equipment (such as wheelchairs or insulin pumps)
- Pays for prescription medication
- Pays for end-of-life/Hospice care
- Needs-based program (low income, low assets)
- Can have both Medi-Cal and Medicare
- Can have private insurance Medi-Cal (secondary)

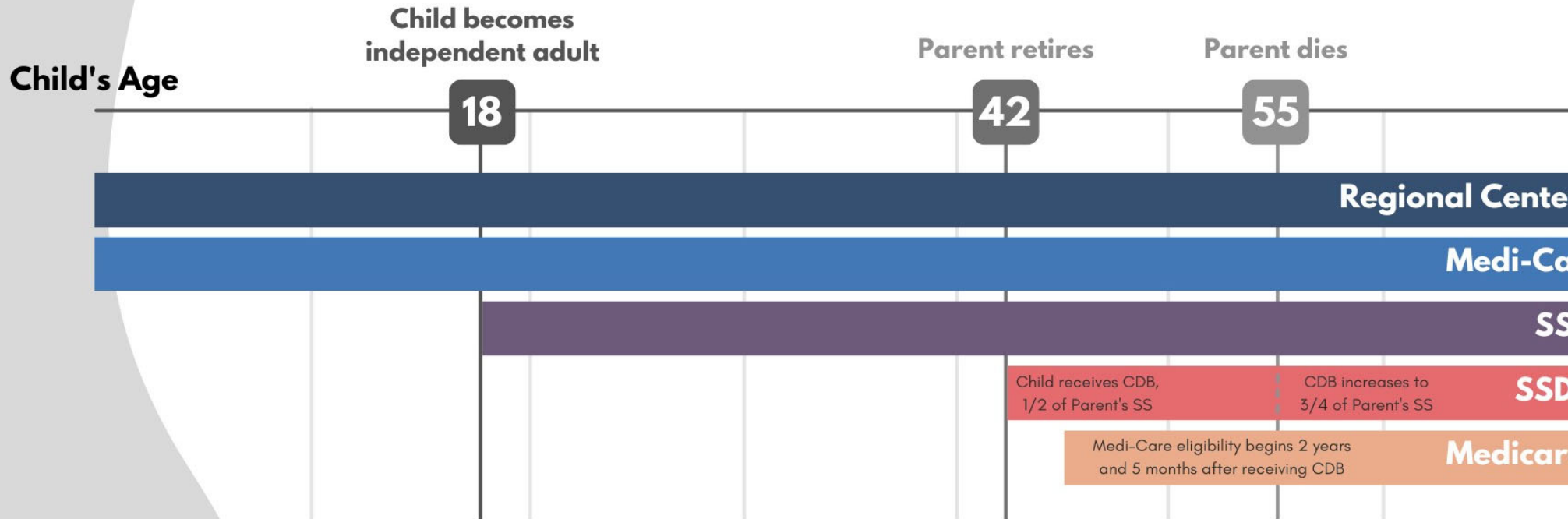


# What is IHSS? (In-Home Supportive Services)



- Medi-Cal benefit that pays for care-provider in the home
- State-administered program pays caregivers min of \$15.50/hr, higher in some counties, such as LA County, now \$17.50/hr
- County DPSS decides how many hours per month based on needs of beneficiary
- Maximum is 283 hrs/protective supervision
- Family members can be paid care-providers

# Public Benefit Eligibility Timeline



# SSI and IHSS recipients can receive CalFresh (SNAP/food stamps)

- Income must be 200% of FPL or less
- Need to apply over the phone, in person, or online. EBT cards are used and loaded monthly
- The average CalFresh benefit for a household of 1 is \$130 a month. Benefits vary based on various factors
- The limit for resources for CalFresh is generally \$2,500 for the household. Households that contain a member who is disabled or elderly (over 60) can have resources up to \$3,750. There are many exceptions
- If disabled adult child lives at home, must be over 22 to apply



# Big Changes in Medi-Cal Assets



Household Asset Limits for Non-MAGI Programs as of July 1, 2022	
Household size	Asset limits
1 person	\$130,000
2 people	\$195,000
3 people	\$260,000
4 people	\$325,000
5 people	\$390,000
6 people	\$455,000
7 people	\$520,000
8 people	\$585,000
9 people	\$650,000
10 people	\$715,000

Based on spousal  
impoverishment  
amounts for  
long-term care

## How To Keep All those benefits?

- Special Needs Trusts (SNTs) are designed to provide a person with a disability with assets to enhance quality of life while at the same allowing that person to keep eligibility for vital government benefits
- Must be used **primarily** for the benefit of the beneficiary
- **Must be irrevocable**
- SNTs allow the beneficiary to have all the benefits of government needs-based programs, and also have the benefits of the assets (plus investment income) held in the Trust

# 1<sup>st</sup> party and 3<sup>rd</sup> party SNTs



- 1<sup>st</sup> party = assets that belong to the beneficiary, from legal settlement or unplanned inheritance, carries Medicaid payback after death
- 3<sup>rd</sup> party=assets from someone other than the beneficiary such as parents, grandparents or other relatives and friends, no Medicaid payback after death

## Professional Trustee vs Family Trustee

- Best practice is to have a licensed professional such as a professional trustee, bank, law firm or commercial trust company
- Professional trustees typically require \$500,000 - \$1 million minimum in assets to provide their services
- Family trustees may find trusteeship to be a burden—many legal, tax and government benefits issues to deal with, plus the case management

## What is a Pooled Trust (D4C)?

- By Congressional law (OBRA 1993), pooled trusts were established, and are required to be run by non-profits
- The non-profit develops a “Master Trust” agreement governing all participants.
- This Master Trust serves as an “umbrella” trust document for every beneficiary who enrolls by signing and executing a Joinder Agreement
- A separate account is maintained for each beneficiary of the trust, but for investment and management purposes the various accounts are pooled, hence the name pooled trust.

## Why a Pooled SNT can be a good option

- Use of a Joinder Agreement as part of a Master Trust means lower set up fees than with a private attorney
- Lower minimum amount needed for professional trustee and wealth management services
- Potentially higher rates of return than individual trusts
- Can be created by someone over 65 for community-based care
- Minimize conflicts of interest from family members/their spouses



# JLA Special Needs Trust



- 1st party special needs trusts: Money belonging to the beneficiary such as a legal settlement or inheritance. Medi-Cal payback after beneficiary's passing.
- 3rd party needs trusts: Money from parents, grandparents or other family members. No Medi-Cal payback.
- Future Funded option (\$600 enrollment fee, \$200 min deposit)
- All have a \$20,000 minimum before disbursements
- Create spending plan/monthly allowances

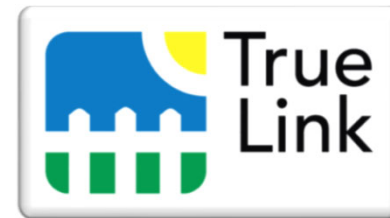
## What Can SNT \$ buy?

Wide range of expenses, anything that helps to improve wellness, optimize independence and enhance quality of life. Some examples:

- Cell phone/Internet/Streaming channels
- Clothes, shoes including any specialized items such as orthopedic shoes. Furniture, electronic equipment including computers
- Medical and dental expenses not covered by other health insurance
- Trips, vacations including paying for an aide if needed
- In-home help in addition to IHSS hours
- A car, even if the beneficiary can't drive themselves
- Residence, including a home, condo or mobile home, but it must be the primary place of residence



## Our Partnership with



- Mission-driven company that uses innovative technology to support individuals with disabilities
- Accounts are held at Charles Schwab –choice of 3 portfolios - Conservative, Conservative Growth & Moderate
- Request disbursements online or via phone, and can receive funds quickly via a reloadable Visa debit card

# Introduction to CalABLE

- **Before the ABL Act:**
  - A person with a disability could not save more than \$2,000 without impacting their SSI
- **Now:**
  - You can save up to \$17,000 per year and up to \$100,000 in total before SSI is impacted (IRS gift tax exemption)
- CalABLE will automatically reject excess contributions



**\$529,000** total contribution cap for CalABLE (contribution only)

**\$100,000** total cap for recipients of SSI benefits (contribution + earnings)

**\$17,000** annual contribution cap (contribution only)

# CalABLE Basics

- Disabling condition must have started before age 26
- Only one ABLE account per social security #
- Beneficiary is always the account owner
- Account can be opened by the beneficiary or an Authorized Legal Representative (parent, legal guardian/conservator, Power of Attorney)
- Accounts are asset-protected – they cannot shelter income
- Funds are tax-exempt as long as they are spent on “Qualified Disability Expenses”

## What is a Qualified Disability Expense (QDE)?

- Any expense related to the designated beneficiary as a result of living a life with disabilities that helps maintain or improve your health, independence or quality of life
- Categories are intentionally broad, and include food, education, housing\*, transportation, health care expenses and more
- Non-QDE: Not illegal, but if taken, expense is now subject to regular income taxes, plus a 10% tax penalty and benefits may be at risk (expense may now be considered a resource)

## How to Sign Up for CalABLE



- Can only sign up online, not in a bank or financial institution
- Must have the date of birth, address and Social Security Number / ITIN for the people on the account
- Need to link to a bank account, can open with \$25
- <https://www.sumday.com/register/calable>

# ABLE accounts and SNTs can work together



- Advantages to using ABLE accounts to pay for rent
- Non-conserved beneficiaries can have more direct control over their ABLE funds
- Can use SNT as more of a savings account with fiduciary oversight
- No penalties in transferring money from a SNT to an ABLE account, and vice versa
- Because ABLE accounts max at \$100,000 for SSI benefits, use SNT for ongoing medical and other living expenses

# The Big Picture – Three Accounts



- 1. Personal Checking:** For SSI payments & work earnings (if low)
  - Used for paying rent/mortgage, meals/grocery, utilities, and for cash needs.
- 2. CalABLE Account:** Receives funds when checking account nears \$2k limit and receives work earnings (when higher), gifts or personal payments lower than the \$17k annual ABLE max
  - Pays for any qualifying disability expense, including transportation, assistive technology and employment support, or supplements housing expenses
- 3. Third-Party SNT:** Receives larger gifts and inheritances.
  - Pays for larger expenses, including health-related expenses, vacations, insurance, etc.

# Contact Us!

**Website:** [www.jlatrust.org](http://www.jlatrust.org)

**Email:** [mwolf@jlatrust.org](mailto:mwolf@jlatrust.org)

**Facebook:** [www.Facebook.com/JLATrust](http://www.Facebook.com/JLATrust)

**Telephone:** (310) 773-9728, ext 2

