

## 3rd Party Special Needs Trust (SNT)

*A Parent Guide for Special Needs Divorce*

A **3rd-party Special Needs Trust (SNT)** is a protected account used to hold money that comes from **parents, family members, or anyone other than the child**. This trust allows you to provide for your child's future without affecting their eligibility for SSI, Medicaid, or other disability-related supports.

Unlike other financial tools, a 3rd-party special needs trust is designed to support your child **during your lifetime and after you're gone**, while keeping benefits intact.

### Why This Trust Matters in Divorce

Divorce often changes how parents plan for their child's long-term needs. When a child has a disability, traditional planning tools — like leaving money directly to the child or naming them as a beneficiary — can unintentionally cause benefit loss.

A 3rd-party special needs trust solves this by giving parents a safe place to:

- leave money for their child in the future
- receive gifts or inheritances from family
- plan for long-term support needs
- coordinate estate planning during and after divorce

This trust protects your child's benefits **and** ensures they have resources for the things benefits can't cover.

### What Can Go Into a 3<sup>rd</sup> Party Special Needs Trust

This trust holds money that **does not legally belong to your child**, including:

- Parent contributions
- gifts from relatives
- inheritances
- life insurance proceeds
- savings set aside for future support
- funds from your estate plan

These are resources meant to support your child **without being counted as their assets**.

### How a 3<sup>rd</sup> Party Special Needs Trust Works

This trust is designed to supplement — not replace — your child's benefits.

Here's how it works in real life:

- Parents or family members contribute funds over time or through estate planning.
- A **trustee** manages the money and follows benefit-safe rules.
- The trustee pays for things that improve your child's quality of life — therapies, programs, equipment, recreation, transportation, and long-term supports.
- The trust can also be funded later through wills, life insurance, or family gifts.
- Your child keeps SSI, Medicaid, and waiver services because the money is not legally theirs.

This structure ensures your child has support **throughout their life**, even when parents are no longer able to provide it directly.

### Why Mistakes Happen in Divorce Cases

Many families are told to:

- leave money directly to the child
- name the child as a beneficiary
- "just split everything evenly"
- rely on verbal agreements

These approaches can unintentionally cause benefit loss or leave the child unprotected in the future.

A 3<sup>rd</sup> party special needs trust ensures your child's long-term support is placed correctly from the start.

### What This Means for Your Child

This trust protects your child's future by giving them access to resources that improve their life — without risking the benefits they rely on for medical care, therapies, and long-term supports.

## IMPORTANT NOTES

### Purpose of This Trust

This trust holds money from parents or family members so it does not count as your child's asset. It allows you to plan for their future needs while keeping disability benefits intact.

### Why It's Needed

All disability benefit programs review income and assets when determining eligibility. Child-owned funds count against these limits unless they are held in the correct trust. The 1<sup>st</sup> party special needs trust prevents these funds from being counted so your child's benefits stay active.

### How Funds are Used

The trustee can pay for therapies, programs, equipment, recreation, transportation, and other supports that improve your child's quality of life. These expenses supplement benefits, not replace them.

### Funding Options

Parents and relatives can contribute during life or through estate planning. Life insurance, gifts, and inheritances can also be directed into the trust to support your child long-term.

### No Medicaid Payback

If money remains in the trust when your child passes away, it can be distributed to other family members or beneficiaries. There is no requirement to repay Medicaid because the trust is funded with money that never belonged to your child.

### Role of the Trustee

The trustee manages the trust and makes sure every distribution follows benefit-safe rules. Parents still identify their child's needs and request support, while the trustee handles payments and documentation. This structure protects benefits without removing your ability to guide your child's care. The trustee's job is to help you use the trust safely and consistently, not to replace your judgment as a parent.