

Family-Funded Trusts

What is a third-party or Family-Funded trust?

A third-party Special Needs Trust (also referred to as a Family-Funded SNT) is typically established by parents or grandparents of a child with disabilities. A Family-Funded SNT may also be established by others including the trustee of another family trust, the executor of a relative's estate, even a group of friends.

A Family-Funded SNT is a tool many parents incorporate into their estate plans because it enables them to clearly and inexpensively designate funds to provide for the future supplemental needs of their child with disabilities without over-burdening siblings or other relatives with additional administrative tasks.

Family-Funded SNTs are typically funded through wills, life insurance policies, transfers from other trusts, and/or annual/quarterly/monthly contributions over an extended period of time.

What is the role of The Arc of Northern Virginia?

The Arc of Northern Virginia functions as Manager of the Personal Support Self-Funded and Personal Support Family-Funded Trusts. We oversee day-to-day client relations working directly with the person with disabilities, their siblings, parents, case managers, attorneys, dentists, and other service providers to assist with the processing of complete and accurate disbursements as well as general trust administration.

How difficult is it to administer a SNT?

Very. The trustee must maintain a comprehensive, current understanding of government benefit regulations to ensure the trust's administrative practices and decision-making remain in sync with the latest requirements. The trustee of a SNT must ensure each disbursement request is well-documented, unduplicated and in the sole interest of the individual with a disability.



Photo credit: Blueberry Shoes Productions ©

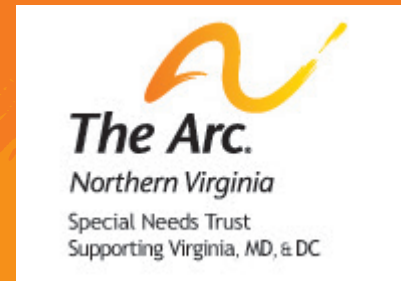
Who is the trustee?

Key Private Bank serves as Trustee of the Personal Support Self-Funded and Personal Support Family-Funded Trusts. We collaborate with Key Private Bank's Wealth Management team.

Key Private Bank has fiduciary responsibility and is responsible for asset management and asset allocation, account and tax reporting, and check processing for all disbursements approved by the Trust Manager.

What happens to the money in a Family-Funded SNT when the Beneficiary passes away?

In a Family-Funded trust the Grantors decide who will inherit any funds remaining after the Beneficiary passes away. Frequently, grantors leave the funds to other family members, including siblings, as well as to charitable organizations including The Arc of Northern Virginia and The Arc's Personal Support trust for the future needs of other individuals with disabilities.



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- You want your adult child to be able to afford dental care and occasional recreational outings but do not want to jeopardize her benefits eligibility.
- You are new parents of a child with a disability of genetic origin. To ensure she is well cared for, you purchase life insurance policies but you want to ensure the funds will be managed solely for her supplemental needs.
- You and your spouse cannot afford to fund a trust at this time but you want to ensure your child with a disability receives an equal share of your estate.
- You have a friend with a disability who cannot afford new assistive devices and other supports. You are planning fund-raising events but don't want the gifts to jeopardize your friend's SSI and Medicaid eligibility.

Since our program's inception in 1999, we have seen a steady increase in both our Family Funded and Family Funded (Unfunded) trust clients. As Figure 1 illustrates, over the past 5 years in particular, both types of trusts have grown steadily, now comprising nearly one-third of our total trust clients (Figure 2).

Figure 1: Distribution of Trusts by Type, Mar. 2016

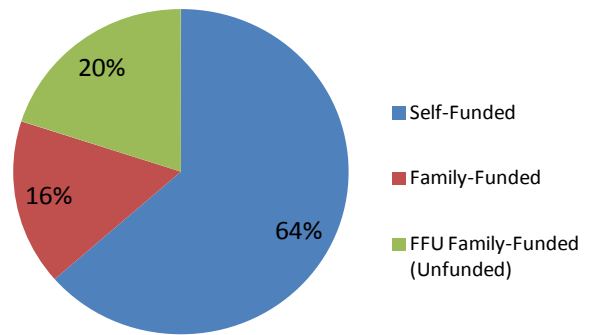


Figure 2: New Trusts Established by Year, 2000-2015
Self-Funded (SF), Family-Funded (FF) and Family-Funded Unfunded (FFU)

