

## **How to Prevent Beneficiary Designations from Affecting Government Benefits for Someone with Special Needs**

For individuals with special needs who rely on government benefits for essential support, safeguarding these benefits should be a priority. One common concern is how beneficiary designations, such as inheritances, life insurance policies, or retirement accounts, might impact eligibility for these benefits. Fortunately, there are strategies available to prevent beneficiary designations from jeopardizing government benefits. Here are some effective methods to protect these benefits while ensuring financial security for individuals with special needs.

### **1. Establish a Special Needs Trust (SNT) or Utilize a Pooled Trust**

A Special Needs Trust is a powerful tool designed specifically to manage assets for individuals with disabilities without affecting their eligibility for government benefits such as Medicaid or Supplemental Security Income (SSI). Assets held within an SNT are not considered countable resources for eligibility purposes, allowing beneficiaries to maintain their benefits while still accessing funds for supplemental needs not covered by government assistance.

In some instances, the cost to set up an SNT is too high, or there is no one to serve as a trustee. Pooled Trusts are similar to SNTs and are a great alternative in these situations. Pooled trusts are managed by nonprofit organizations and allow individuals with special needs to pool their resources for investment purposes while still preserving eligibility for government benefits. Pooled Trusts offer professional management of assets and may be a suitable option for those who prefer not to establish an individual SNT. One pooled trust for Kentuckians is [Life Plan of KY](#).

## **2. Name the Trust as Beneficiary**

When designating beneficiaries for life insurance policies, retirement accounts, or other assets, you should name the SNT or pooled trust as the beneficiary rather than the individual with special needs directly. This ensures that the assets pass into the trust upon the policyholder's passing, protecting the individual's eligibility for government benefits.

## **3. Review and Update Beneficiary Designations Regularly**

It's crucial to review and update beneficiary designations regularly, especially after significant life events such as marriages, divorces, births, or deaths in the family. Failure to update beneficiary designations could inadvertently impact government benefit eligibility or result in unintended consequences for the individual with special needs.

## **4. Seek Professional Guidance**

Navigating the complexities of government benefit eligibility and estate planning requires specialized knowledge. Consulting with an attorney experienced in special needs planning can provide invaluable guidance tailored to your specific circumstances. An attorney can help you create a comprehensive plan that protects government benefits while meeting the unique needs and goals of the individual with special needs. An attorney can also help you set up an account for a pooled trust if you have any questions about the paperwork.

## **Conclusion: Ensuring Financial Security and Government Benefit Eligibility**

By taking proactive steps to safeguard beneficiary designations, individuals with special needs can ensure their financial security and preserve eligibility for vital government benefits. Establishing a Special Needs Trust, naming the trust as beneficiary, utilizing pooled trusts when appropriate, regularly reviewing and updating beneficiary designations, and seeking professional guidance are all crucial strategies in protecting government benefits for individuals with special needs. With careful planning and informed decision-making, families can provide peace of mind and secure a brighter future for their loved ones with special needs.

These materials are for general informational purposes only. Consult an attorney for legal advice about protecting government benefits.