



How to Make Distributions to an SNT Beneficiary Without Disrupting Their SSI

When serving as the trustee of a special needs trust, it is crucial to be careful when making distributions for the benefit of the trust beneficiary. This is particularly true if the beneficiary receives Supplemental Security Income (SSI) because any distribution could potentially violate Social Security's rules regarding unearned income for SSI recipients. If a distribution runs afoul of these rules, the Social Security Administration will treat the distribution as unearned income on behalf of the beneficiary and reduce the beneficiary's income dollar-for-dollar after the first \$20 of the distribution.

The most common example of a distribution that would be deemed unearned income is when a trustee provides a cash reimbursement to a beneficiary for a purchase the beneficiary made, even if the beneficiary has a receipt. If the trustee reimburses the beneficiary directly, the reimbursement will be considered unearned income and the beneficiary's SSI will be reduced dollar-for-dollar for the reimbursement.

However, there are ways to make purchases for beneficiaries that will not negatively affect the beneficiary's SSI benefits. Here are five examples of appropriate disbursements.

1. The trustee can distribute the requested goods or services directly to the beneficiary in person. For example, the beneficiary finds a computer that they like at a brick-and-mortar store and gives the trustee the information on the computer; the trustee would then go to the store, buy the computer using trust funds and deliver it directly to the beneficiary. If the beneficiary and the trustee are close in proximity to each other, this can reduce the cost of shipping that would be applied to the purchase. It also allows for the beneficiary to receive the goods more quickly. One potential downside to the beneficiary is the cost of having to compensate a professional trustee for their time purchasing the goods and then personally delivering them directly to the beneficiary.

2. The trustee can also purchase services or goods with trust funds and have the goods or services delivered directly to the beneficiary. One common example is purchasing furniture or appliances online and have the items shipped to the beneficiary's residence. This can be a very efficient way to handle a beneficiary's request for an item. However, if the product is something that needs to be tried on, such as a coat, it is possible that the first purchase may not fit the beneficiary and multiple purchasing attempts may be necessary.

3. The trustee can also reimburse a third party who pays for a service. For example, a relative might pay for a beneficiary to attend a sporting event and the trustee could reimburse the relative for the cost of the beneficiary's ticket. It is important to remember that the beneficiary cannot be reimbursed, only the third party who purchased the item. In such cases involving reimbursing a third party, it is important to have documentation of the cost of the service and the date on which it was provided.

4. The trustee can purchase gift cards or gift certificates for the beneficiary. However, care should be exercised here because gift cards and gift certificates must meet certain legal requirements.

5. The trustee can pay a beneficiary's credit card bills.

For more information about special needs planning in general and special needs trusts in particular, contact Attorney John D'Onofrio today.

As a member of the Academy of Special Needs Planning, John is constantly reviewing new laws and amendments in this area of law as well as attending seminars and continuing education classes relevant to special needs planning and trusts.

Call today to schedule a free initial consultation. Call today, get peace of mind today.

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