Securing a Future for Formed Families Webinar * March 2, 2017

- Formed Families Forward works to improve outcomes for children, youth and young adults with special needs raised in families formed through foster care, adoption, kinship care.
- Offer free trainings (webinars and in-person), individual consultations, resource navigation, publications and support groups for youth/young adults and for parents/caregivers.
- Serve Alexandria, Arlington, Fairfax, Loudoun, & Prince William
- Upcoming March Madness webinars on graduation requirements on March 6 and Workforce Innovation Opportunity Act on March 15
- Spring Forward Foster, Adoptive & Kinship Family Fun Day, April 29
- Piles to Files in Fairfax, May 17
- www.FormedFamiliesForward.org and FB
- Please complete evaluation!!!!
The Role of the Special Needs Trusts when Planning for the Future

Tia Marsili
Director of Trusts

THE ARC OF NORTHERN VIRGINIA
- SPECIAL NEEDS TRUST PROGRAM SERVING VA, MD, AND DC
THE ARC OF NORTHERN VIRGINIA

One of 660 chapters of The Arc

The world’s largest community based organization of and for people with intellectual and developmental disabilities

This month celebrating 55 years of experience.
KeyCorp Overview

Highlights

- Market Capitalization of approximately $11.4 billion (NYSE: KEY)
- Total Assets: $95.4B
- Approximately 14,000 full time employees, over 6,000 in Cleveland
- 992 full-service retail branches across 15 states
- KeyCorp’s CEO, Beth Mooney, is the first female CEO of a Top 20 US financial institution
- Key outperformed all major competitors in the American Customer Service Index Rankings
- KeyCorp entered a definitive agreement to acquire First Niagara Bank 10/30/2015

Business Segments

Corporate Banking

- KeyBanc Capital Markets
  - Investment banking
  - Research, sales and trading
- Enterprise Commercial Payments
  - Derivatives and F/X
- KeyBank Real Estate Capital
- Key Equipment Finance

Community Banking

- Regional Banking
  - Retail banking
  - Business banking
  - Private banking
  - Wealth management
- Commercial Banking
  - Commercial lending
  - Cash management
  - Equipment leasing

Stable & Well Capitalized

- KeyCorp traces its history back to 1825, when Commercial Bank of Albany, New York (later KeyBank) was incorporated and 1849, when Society for Savings of Cleveland (later Society Corp) was formed. The two merged in 1994.
- Public Ratings [1]
  - Moody’s “A3” rated
  - Standard & Poor’s “A-” rated
  - Fitch “A-” rated
- Capital Ratios [1]
  - Tangible Common Equity to Tangible Assets: 9.9%
  - Common Equity Tier 1: 10.5%
  - Tier 1 Risk-Based Capital: 10.9%

Geographic Footprint

Key Tower - Cleveland

[1] Public Ratings & Capital Ratios as of 9/30/2015

Sources: Capital IQ, KeyBank, FDIC
Sources: Capital IQ, KeyBank, FDIC; Note: Market information as of 9/30/15. Financial information as of 9/30/15

Headquarters: Cleveland, OH

- Sole Corporate Banking Offices
- Sole Community Banking Offices
- Combined Corporate and Community Banking Offices
6 THINGS TO CONSIDER WHEN PLANNING FOR THE FUTURE

1. Letter of Intent
2. Legal Authority
3. Government Benefits
4. Estate planning
5. Special Needs Trust (SNT)
6. Financial Planning
1. **Letter of Intent**
Outlines a person’s advance directives regarding **financial, legal, & personal care**, and other matters of a person (with disabilities).
2. **Legal Authority**

- Who will make decisions on behalf of the person with disabilities?
  - Power of attorney
  - Guardianship
  - Conservatorship
  - Advance medical directive
3. Means-tested Government Benefits

- Medicaid
- Medicaid Waivers for Home & Community Based Living
- Supplemental Security Income (SSI)
MEDICAID

A joint federal and state program authorized under **Title XIX of the Social Security Act** that provides health and long-term care coverage for specific groups of people with low income.
MEDICAID & MEDICAID WAIVERS

Two types of Medicaid

- State plan
  - Low-income children, pregnant women, the elderly, persons with disabilities, parents meeting specific income thresholds.

- Home and Community Based Services – Medicaid Waivers
Means-tested Benefit: State plan Medicaid

Eligibility Criteria*:

- Asset (means) Tests
  < $2,000 for single in income/resources
- Income Tested
  0 – 18 yrs of age, Based on Parental Income
  +18, Based on Income of Person with disabilities

* Denotes assets-tested program
MEANS-TESTED BENEFIT: LONG-TERM CARE MEDICAID INCL. WAIVERS

Financial Eligibility Criteria*:
- Asset Tests
  +18, Based on countable resources of Adult with disabilities
    < $2,000 for single; $3,000 married couple
  < 18, Based on countable resources of Child with disabilities
    < $1000 for children

All, countable income < $2,170
Means-tested benefit: Supplemental Security Income (SSI)

1. SSI pays benefits based on financial need
2. designed to help those: Under 65 years old; or Disabled; or Blind; or Under 21 years old; or Caring for a related child in your home; or pregnant; or the parents of an unmarried child under 21
3. who have little or no income by providing cash to meet basic needs for food and shelter.
MEANS-TESTED BENEFIT: SSI

Eligibility Criteria*:
- Asset (means) Tests
  - < $2,000 for single; $3,000 married couple
- Income Tested
  - <18 yrs of age, Based on Parental Income
  - >18, Based on Income of Person with disabilities

* Denotes assets-tested program
4. **Estate Planning**

To ensure your wishes are carried out you need to provide instructions.

i. Last Will and Testament

ii. Living Trust

iii. Beneficiary Designation

iv. Special Needs Trust

v. Letter of Intent (guidance document)
**BRIEF COMPARISON**

### Last Will
- Distribute property to beneficiaries
- Name a guardian for minor children
- Specify funeral, burial, and other last wishes

### Living Trust
- Help avoid the cost and delays of probate
- Keep the details of your estate private
- May reduce certain estate taxes
- Add Last Will

### Living Will
- Make decisions about life support in advance
- Specify organ donation
- Add Healthcare POA

[The Arc Northern Virginia]
Questions Going Forward

1. How can you leave money to your child with disabilities without jeopardizing their government benefits?
2. Who will manage the money?
3. How can you guarantee that funds will be available once you’re gone?
5. **Special Needs Trust (SNT)**

A legal vehicle designed to provide **benefit to** and **protect the assets of** a person with disabilities **and still allow** the individual to be qualified for and receive government benefits.

When written properly, all government benefits stay in tact. A person with disabilities can indirectly (through the SNT) receive a portion of the estate.
**Why Establish a SNT?**

1. Protect government benefits

2. Help with money management and longer-term financial planning

3. Promote the dignity, comfort and happiness of the individual with disabilities
WHO IS ELIGIBLE FOR A SNT?

- Anyone with a physical, mental or intellectual disability as defined by the Social Security Act

- Receiving Medicaid, SSI, or Disability Insurance
TYPES OF SPECIAL NEEDS TRUSTS

Third Party Trusts
Funded and Unfunded
Private or Nonprofit

First Party Trusts
D4 (a) - Private
D4(c) - Pooled
## Third Party Trusts—Unfunded or Funded

<table>
<thead>
<tr>
<th>The Arc</th>
<th>Private</th>
<th>Financial Institution</th>
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<tbody>
<tr>
<td>The Arc: Manager</td>
<td>(Co-)Trustee</td>
<td>(Co-)Trustee</td>
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<tr>
<td>Trustee: Key Private</td>
<td>administers</td>
<td>administers</td>
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<tr>
<td>Bank</td>
<td></td>
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<tr>
<td>One-time nominal fee</td>
<td>Attorney fees</td>
<td>Attorney fees</td>
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<tr>
<td>for enrollment</td>
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<tr>
<td>Management &amp; Trustee</td>
<td>Trustee may charge, &amp;</td>
<td>Bank administration &amp; investment fees</td>
</tr>
<tr>
<td>fees</td>
<td>outsource services,</td>
<td></td>
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<tr>
<td></td>
<td>investment fees</td>
<td></td>
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<tr>
<td>Experts on disabilities</td>
<td>Depends on person(s)</td>
<td>Depends on bank personnel</td>
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<tr>
<td>finance; provides client</td>
<td>Successor trustees</td>
<td></td>
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<tr>
<td>relations</td>
<td>Grantor chooses remainder beneficiaries</td>
<td></td>
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<tr>
<td>Continuity, reliability</td>
<td>Grantor chooses remainder beneficiaries</td>
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<tr>
<td>Grantor chooses</td>
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<tr>
<td>remainder beneficiaries</td>
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THIRD PARTY/FAMILY-FUNDED TRUSTS

- Established by parents, relatives, friends as part of the Futures or Estate planning process with The Arc, an attorney, or financial institution
- Funded commonly at second to die; also possible to fund prior to death
- Funded with an inheritance, life insurance policy, transfer from another trust, contributions, etc that are directed to FF SNT
- Remainder beneficiary (who inherits when the Beneficiary passes) is decided by the Grantors establishing the trust
First party/Self-Funded Trusts

Written when a person with disabilities receives
- An inheritance
- Lump-sum pay back
- Structured settlement
- Child support after 18
- Survivor Benefit Program
- and cannot manage own funds
  - **Remainder:** Medicaid payback or nonprofit contribution
6. **Financial Planning**

1. Plan for future medical, educational and housing needs for your dependent
2. Review beneficiary designations
3. Contact local nonprofit organizations for additional resource support
4. Find reputable financial professional
5. Include steps 1-5 of this presentation!
**How Does The Arc’s Trust Work?**

- **Beneficiary**
- **Grantor(s)**
- **Primary Representative(s)**
## Our SNT Team: The Arc and Key Private Bank

<table>
<thead>
<tr>
<th>Expertise:</th>
<th>The Arc of Northern Virginia Manager</th>
<th>Key Private Bank Trustee</th>
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<tbody>
<tr>
<td>• Services for people with disabilities</td>
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<tr>
<td>• Current understanding of benefits eligibility requirements</td>
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<tr>
<td>• Grantors’ wishes</td>
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<tr>
<td>• Beneficiary’s needs and priorities</td>
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<tr>
<td>• Asset allocation</td>
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<td>• Asset management</td>
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<td>• Account reporting</td>
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<td>• Tax reporting</td>
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<tr>
<td>• Check writing/disbursing</td>
<td></td>
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<tr>
<td>• Holds Real Property</td>
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<tr>
<td>• Customized Investment Options over $250,000</td>
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</table>
**How does the Beneficiary access the funds in the Trust?**

- Complete Disbursement Request form
- Gather supporting documentation
- Send the completed request form and documentation to The Arc
- We verify all aspects
FOR EXAMPLE, AN SNT CAN PAY:

- Dental Care Costs
- Vacations
- Phone bills
- Clothes
- Veterinary Bills
- Hobbies
- Car insurance
- Pre-need Burial Expenses
- Anything not covered by Medicaid or SSI
STRENGTHS AND LIMITATIONS OF THE ARC’S SNT

**Strengths**

- Low fees
- No minimum
- Experts on disability regulations
- Great investment vehicle
- Account & tax reporting
- Minimal family responsibility
- Multiple checks & balances
- Holds real estate
- 8 Investment portfolios or
- Customized investing option at +$250,000

**Limitations**

- No instant gratification
- Open Monday - Friday
The Arc Trust Program’s Growth
(Number of Trusts per Year)
Five case studies
Case 1: Parents with 10 month old

Infant has disability diagnosed at birth. As part of their planning, parents decide to schedule an appointment and establish directly with Tia an Arc Family-Funded SNT (FF SNT).

1. They amend their wills so their estates will partially fund the new trust.

2. They designate their son’s trust as the beneficiary in their life insurance policies.

3. They contribute $100 in initial funds to open the trust sub account.

4. They ask friends and family to contribute to the trust at key life events (wills, birthdays, holidays, other milestones, etc).

5. They are contemplating disbursement priorities at this time.
Case 2: Teenage auto accident victim

Attorney informs victim and her parents she will soon receive a settlement. The family decides their daughter should consider a SNT and parents select to establish a **Self Funded Trust (SF SNT)**. They schedule an appointment with Tia to establish the trust with The Arc.

1. The Arc’s SNT ensures funds will be managed for daughter’s benefit.

2. As she nears age 18, SF SNT will ensure recently received settlement funds do not jeopardize her eligibility for SSI and Medicaid.

3. The family plans to disburse the SF SNT funds to finance post-secondary education as well as special equipment and other supports she will may need throughout her life.

4. The family postpones decision to open Family-Funded trust.
Case 3: A 17 year old with a developmental disability

As their daughter approaches age 18, parents realize her assets (bonds & savings account) will exceed SSI* resource limit ($2,000)

1. The parents help their daughter establish directly with Tia at The Arc a **Self-Funded Trust** so daughter’s assets can be transferred to her new trust for her future needs.

2. The parents also revisit their plans & write a **Family-Funded Trust** directly with Tia at The Arc.

3. The parents amend their wills and other estate documents to reference the new Arc **Family-Funded Trust** which will be funded upon the 2\(^{nd}\) parent’s death

4. The parents receive a **50% discount** on the second trust’s enrollment fee ($525).

5. They pay the enrollment fees for both trusts via The Arc’s monthly payment plan.
Case 4: Single, unemployed woman with SSDI*

After working for 10 years, woman with a mental health diagnosis struggles with money-management and frequently relies on parents to avoid or settle crises. As part of their planning, aging parents schedule an appointment to establish a Family funded SNT directly with Tia at The Arc.

1. They decide to immediately fund the trust with $6,000 and write a clear, specific Letter of Intent for the trust to help with certain necessary monthly expenses (e.g. medication co-pays, local transportation, dental care).

2. Parents amend their wills so their estates will add funds to the trust when the 2nd parent passes away.

3. The Arc’s SNT team meets with client to explain and implement the plan.

4. Networking with other involved parties (therapist, case manager, local family member), The Arc team supports individual’s gradual transition from dependency on elderly parents to guided, realistic spending via the FF SNT.
Parents need to update their estate planning documents so they schedule a free consultation with Tia regarding their adult son who lives in a group home. They meet again with Tia to establish a Family funded Trust.

1. Parents choose to unburden their family members with Trust administration and amend their wills so their estates, insurance policies and retirements will add funds to the trust when the 2nd parent passes away.

2. The parents deposit seed money to fund the Trust so the Beneficiary and Primary Representatives become comfortable with disbursements.

3. The Arc’s SNT team meets with Grantors, Beneficiary and Primary Representatives (PR) to explain the FF SNT and answer questions.

4. When the parents pass, The Arc Trust team continues to network with the involved parties supporting the individual during his transition away from his parents and onto PRs.
Figure 2: Market Value of Our Funded Trusts, 2006-2016
# How Our Team Supports SNT Clients:

<table>
<thead>
<tr>
<th>Pre-Funding:</th>
<th>The Arc of Northern Virginia Manager</th>
<th>Key Private Bank Trustee</th>
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</thead>
<tbody>
<tr>
<td>1.</td>
<td>Educate and plan with family</td>
<td>1. Review &amp; approve trust papers</td>
</tr>
<tr>
<td>2.</td>
<td>Prepare trust paperwork</td>
<td>2. Trouble-shoot special situations</td>
</tr>
<tr>
<td>3.</td>
<td>Facilitate trust plan preparation</td>
<td>3. Ensure compliance</td>
</tr>
</tbody>
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<thead>
<tr>
<th>Once Funded:</th>
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<tbody>
<tr>
<td>1.</td>
<td>Review &amp; process client disbursement requests</td>
</tr>
<tr>
<td>2.</td>
<td>Ensure each disbursement aligns with grantors’ priorities &amp; beneficiary’s needs</td>
</tr>
<tr>
<td>3.</td>
<td>Maintain up-to-date documents &amp; trust plans</td>
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<tr>
<td>4.</td>
<td>Coordinate, with consent, with case managers and other stakeholders supporting beneficiary</td>
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<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>1. Process disbursements</td>
<td>1.</td>
</tr>
<tr>
<td>2. Distribute statements</td>
<td>2.</td>
</tr>
<tr>
<td>3. Conduct annual reviews</td>
<td>3.</td>
</tr>
<tr>
<td>4. Provide all fiduciary services related to the trust</td>
<td>4.</td>
</tr>
<tr>
<td>5. Hold and oversee real estate</td>
<td>5.</td>
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<tr>
<td>8. Customized investing +$250,000</td>
<td>8.</td>
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</tbody>
</table>
HOW MUCH DOES IT COST?

- The Arc’s one-time enrollment fee: $1050.00
  - Second trust for same individual or their sib: $525.00
- Annual fee:
  - **Unfunded** account: $65.00 OR
  - **Funded account**:
- The Arc’s Annual Management fee drawn quarterly: 0.75% (subject to change)
- Key’s Annual Trustee fee drawn monthly: 0.90% (subject to change)
- Close out fee: $250.00 (subject to change)

www.thearcofnovatrust.org
Background information on The Arc
Means-tested benefits in brief
The importance of getting a SNT to protect an individuals’ benefits and plan for the future
Private and Nonprofit SNTs
Directly establishing SNT with The Arc of Northern Virginia by scheduling with Tia
To start planning NOW, it’s never too early!
HOW TO GET STARTED:

- Email:
  Tia Marsili Director of Trusts
  - tmarsili@thearcofnova.org
  - Phone: 703-208-1119 x 115
  - Fax: 703-208-0906

- Visit our website:
  www.thearcofnovatrust.org