

LIFE ADVANCED MARKETS

Supplemental needs trust

Help care for your loved one during and beyond your lifetime

An SNT can give you a way to provide for the needs of a disabled person without impacting their qualification for certain government benefits.

At Allianz Life Insurance Company of North America (Allianz), we know the value of consistency and planning. That's why we want to make you aware of an opportunity to help add reassurance to your disabled loved one's financial future.

With a supplemental needs trust (SNT), you may be able to provide for a disabled person without impacting their qualification for certain government benefits, which generally require users to have a limited income. (States vary in their laws regarding how these trusts work. Some states call them special needs trusts and have different rules from supplemental needs trusts. In other states there may be no difference. We will use SNT to mean "supplemental needs trust" in this piece.)

When funded with a life insurance policy, an SNT requires that you pay premium into a life insurance policy, owned by the SNT, so that the life insurance death benefit can leave a lump sum of money to the trust. With a survivorship policy, the death benefit would not be paid out until the death of the second insured. An SNT can be funded with a single or survivorship life insurance policy.

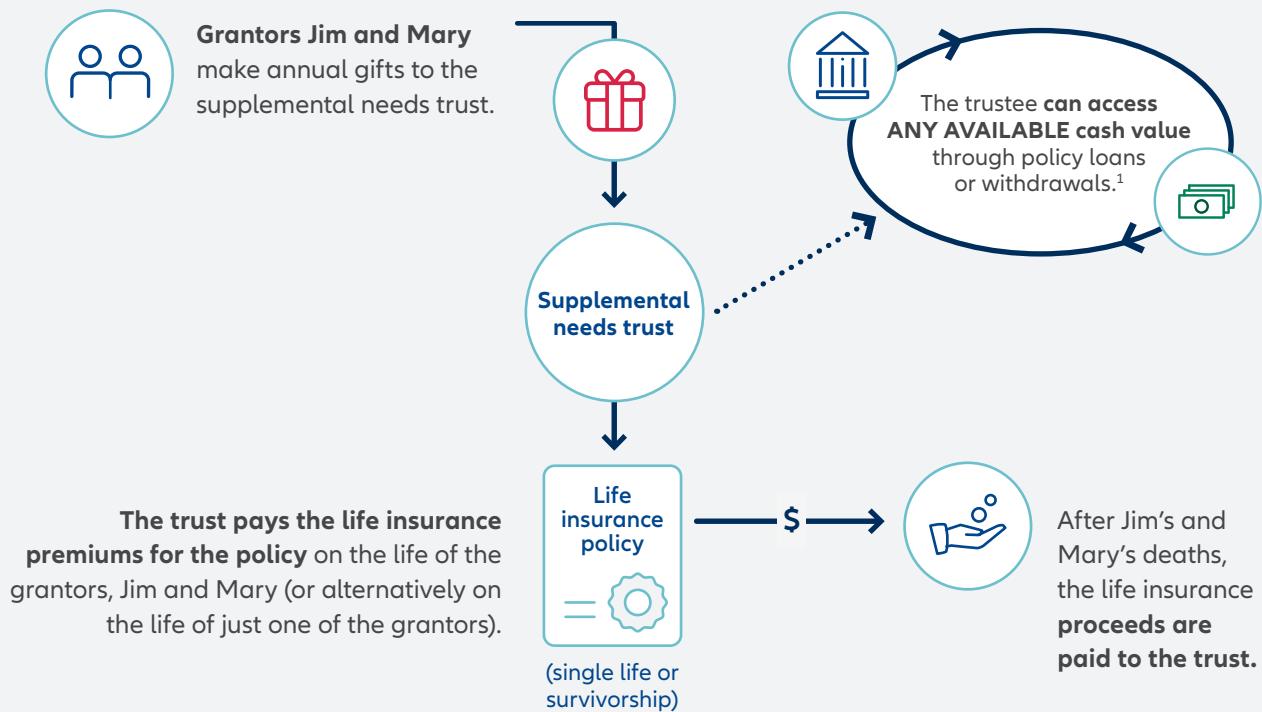
How a supplemental needs trust works:

- 1.** Begin by meeting with your attorney to discuss state law guidelines for an SNT and whether one might be appropriate for you.
- 2.** During (or prior to) this meeting, you should talk to your attorney about:
 - Updating your will so that it reflects those wishes to be executed outside of the trust.
 - Writing a letter of intent that conveys basic information and instructions for future caregivers or guardians, and which references your will and SNT.
 - Appointing a guardian and/or a conservator to take care of the child physically and financially (guidelines vary by state) if you (and your spouse) are unable to perform those functions.
- 3.** If you and your attorney decide an SNT is an appropriate strategy, you'll then also need to:
 - Establish the trust.
 - Appoint an individual, joint, or corporate trustee.
 - Fund the trust (funding could come from things such as cash, stock, personal property, real estate, life insurance, or other property).

The supplemental needs trust in action

The following hypothetical example demonstrates the benefits of an SNT to a couple, Jim and Mary, and their loved one (not actual Allianz clients).

1 During Jim's and Mary's lifetime



2 After Jim's and Mary's deaths



Distributions for care are made from the SNT to the vendor and/or service provider for certain living expenses that are not covered by the government. The loved one benefits from the trust assets as determined by the provisions in the trust. Eligibility for certain government benefits is maintained.

¹ Policy loans and withdrawals will reduce the available cash value and death benefit and may cause the policy to lapse, or affect guarantees against lapse. Withdrawals in excess of premiums paid will be subject to ordinary income tax. Additional premium payments may be required to keep the policy in force. In the event of a lapse, outstanding policy loans in excess of unrecovered cost basis will be subject to ordinary income tax. If a policy is a modified endowment contract (MEC), policy loans and withdrawals will be taxable as ordinary income to the extent there are earnings in the policy. If any of these features are exercised prior to age 59½ on a MEC, a 10% federal additional tax may be imposed. Tax laws are subject to change and you should consult a tax professional.

Benefits of a properly drafted supplemental needs trust	Considerations of a supplemental needs trust
<ul style="list-style-type: none"> • Allows for your assets to be transferred into a trust for the disabled person without impacting the disabled person's eligibility for certain government benefits • Provides protection for their assets • Ensures assets will be used for the benefit of the disabled individual during their lifetime • Trust assets can be used for certain types of supplemental goods and services without impacting eligibility for government benefits • Names a trustee and successor trustee to help ensure that trust assets will be managed for the disabled person's lifetime • Can be coordinated so additional funds, gifts, or inheritances can be placed into the trust without impacting qualification for certain government benefits 	<ul style="list-style-type: none"> • The cost associated with establishing and administering the trust. • While in certain situations an individual with special needs may establish a supplemental needs trust for their own benefit, the trust is typically established by a parent, grandparent, friend, guardian, or the court. • The trust specifies how the funds may be used. • Trust distributions are limited to certain types of expenses. • Distributions for food, shelter, or clothing could cause a reduction in government benefits. • Generally, the trust must be established for the benefit of a disabled person who is under age 65. • Cash distributions should not be made directly to the disabled beneficiary. • The trust may include provisions as to what happens to any remaining assets upon the death of the disabled beneficiary. The possible provisions may be limited by state law.

A trust is a legal structure where one party holds property for the benefit of another party.

Grantor is the person who establishes the trust and makes gifts of property to it.

Trustee is the person who oversees and controls the trust. An independent trustee is unrelated to and not controlled by the grantor.

Beneficiary is the person(s) who receives distributions from the trust.



SEE YOUR LOCAL ATTORNEY to discuss whether an SNT would be right for your situation (requirements may vary by state). And talk with your financial professional for assistance with obtaining a life insurance policy that meets your needs.

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