



Supplemental  
needs trust

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Allianz Life Insurance Company of North America

# Supplemental needs trust

Help care for your loved one during  
and beyond your lifetime

## A trust that gives 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 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 benefits of a properly drafted supplemental needs trust:

- 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 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

For all that's ahead.®

Allianz 

# THE SUPPLEMENTAL NEEDS TRUST

## 1 DURING JIM'S AND MARY'S LIFETIME:



The trust pays the life insurance premiums for the policy on the life of the grantors, Jim and Mary (or alternatively on the life of just one of the grantors).



After Jim's and Mary's deaths, the life insurance proceeds are paid to the trust.

## 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.

<sup>1</sup> Policy loans and withdrawals will reduce available cash values and death benefits, and may cause the policy to lapse or affect any guarantees against lapse. 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.

Policy loans are not usually subject to income tax unless the policy is classified as a modified endowment contract (MEC) under IRC Section 7702A. However, withdrawals or partial surrenders from a non-MEC policy are subject to income tax to the extent that the amount distributed exceeds the owner's cost basis in the policy. Loans, withdrawals, or partial surrenders from a MEC policy are subject to income tax to the extent of any gains in the policy and, if the payment occurs prior to age 59½, a 10% federal additional tax may apply.

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

## Considerations of a supplemental needs trust:

- The cost associated with establishing and administering the trust.
- The disabled person cannot establish the trust; a parent, grandparent, friend, guardian, or the court must establish the trust. (Requirements vary by state; services of a local attorney are required.)
- 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.
- Distributions may 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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Through a line of innovative products and a network of trusted financial professionals, and with over three million contracts issued, Allianz helps people as they seek to achieve their financial and retirement goals. Founded in 1896, Allianz is proud to play a vital role in the success of our global parent, Allianz SE, one of the world's largest financial services companies.

While we pride ourselves on our financial strength, we're made of much more than our balance sheet. We believe in making a difference with our clients by being true to our commitments and keeping our promises. People rely on Allianz today and count on us for tomorrow – when they need us most.

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