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**FREQUENTLY ASKED QUESTIONS
REGARDING THE PLAN LIFE TRUST**

INTRODUCTION

The information provided below is designed to provide prospective donors with an overview of the PLAN Life Trust. The information is about generic trusts which do not have unique or unusual provisions. PLAN of Maryland-D.C., Inc. does not give legal or financial advice. It is essential that prospective donors consult with their financial planner, their wills and estates planning attorney, and their tax attorney when creating or funding a trust.

DEFINITIONS

TRUSTEE - The trustee referred to below is PLAN of Maryland - D.C., Inc.

SETTLOR - The Settlor is the person who creates and funds the trust.

NEXT FRIEND - The Next Friend is someone who knows the beneficiary well. At least once a year the Next Friend should evaluate and report to the Trustee regarding the Beneficiary's (1) physical and mental condition, (2) financial welfare and comfort, (3) educational, medical, and other programs in which the Beneficiary is participating, (4) the care the Beneficiary is receiving, and (5) the extent to which the Beneficiary's legal rights are being enforced.

TRUST PROTECTOR - The Trust Protector is authorized to remove the Trustee and to appoint successor Trustees. The Trust Protector will receive quarterly reports from the Trustee.

FREQUENTLY ASKED QUESTIONS

1. What is the PLAN LIFE TRUST?

It is a trust established for the benefit of a disabled person with funds provided by a third party, who usually is (but does not have to be) a parent, under which PLAN will serve as trustee. The purpose of the trust is to promote the quality of life and well-being of the disabled individual without diminishing the government benefits received by the disabled individual.

2. What is required to establish a PLAN LIFE TRUST?

In general, the steps required to set up a PLAN Life Trust are as follows:

A person desiring to establish a PLAN LIFE TRUST must be a member in good standing of PLAN and have on file a PLAN-approved Personal Plan of Care for the care of the disabled beneficiary. The person establishing the trust is called the "Settlor" in the trust documents.

The Settlor must complete a Trust application form and submit it with the required attachments. Then a meeting between the Settlor and members of the Trust Committee will be arranged. A Joinder Agreement must be signed by the Settlor, and at the appropriate time the assets which will fund the trust must be transferred to PLAN.

In special cases, PLAN will accept a trust without an approved Personal Plan of Care on file, if the Settlor has a contract with PLAN to develop a Personal Plan of Care.

A list of the specific steps which need to be completed to establish a PLAN Life Trust can be obtained from the PLAN office.

3. Should a Lawyer and a financial planner be consulted in establishing a Joinder Agreement to PLAN LIFE TRUST?

Since the Joinder Agreement plays a crucial role in determining important terms of the trust PLAN requires families who are joining the PLAN Trust to provide evidence that they have consulted with an attorney while drafting their Joinder Agreement. It is also highly recommended that a person establishing a PLAN LIFE TRUST consult with a financial advisor. The PLAN LIFE TRUST does not provide legal advice or act as a financial advisor; and the papers furnished by the PLAN LIFE TRUST are not intended to replace legal, financial, or other advice that a person should have in establishing a trust.

4. What is the role of the PLAN LIFE TRUST?

The role of the PLAN LIFE TRUST is that of a fiduciary, in accordance with the Maryland Discretionary Trust Act. The PLAN LIFE TRUST does not act as guardian or a provider of case management services. Case management services are available from PLAN on a fee for service contractual basis.

5. What is the Master Discretionary Trust Agreement?

The Master Discretionary Trust agreement is a document containing provisions that will be common to all PLAN LIFE TRUSTS. It covers such matters as the powers, duties, and liability of the trustee, the general provisions relating to the distribution of the trust property and appointment of successor trustees.

6. What is the Joinder Agreement?

The Joinder Agreement covers those matters which are specific to the individual trust, such as the disposition of the trust property upon the death of the disabled beneficiary and the designation of a Trust Protector and a Next Friend (see the definitions of those roles above).

7. Can the terms of the Master Trust Agreement and the Joinder Agreement be changed?

The documents have been drafted to ensure that all provisions necessary to carry out the purposes of the PLAN LIFE TRUST and to address the concerns of the parties are included. The Joinder Agreement provides the opportunity to individualize the trust within the parameters established by the Master Discretionary Trust. PLAN will consider changes to the wording in the Joinder Agreement so long as the changes are consistent with the purposes of the PLAN LIFE TRUST and do not impose upon the PLAN LIFE TRUST an obligation or liability which it does not wish to assume. Changes in the Master Discretionary Trust can only be made by the Trustees and the Board of Directors, and those changes once made effect all those who are members of the Trust.

8. What kind of assets will PLAN accept in trust?

PLAN will accept cash or negotiable securities. The acceptability of other property (such as real estate) will be considered on a case-by-case basis. PLAN can also be named as the beneficiary of a life insurance policy. It is important to notify PLAN if you plan to use insurance as a vehicle for funding your trust, and it is important for PLAN to review the designation of beneficiaries form with your insurer before it is filed. Information regarding designating the Trustee of the PLAN Life Trust as beneficiary of a tax deferred

retirement account can be found at Issues Related to Funding a Trust Through Tax Deferred Retirement Accounts.

9. How will expenditures from the trust be handled?

Each year, the Beneficiary's PLAN case manager, in consultation with the PLAN Executive Director and the next friend, will prepare a budget, estimating how much money will be needed by the Beneficiary for PLAN's service fees for the following year and for personal and emergency expenses. This budget will then be submitted to a Trust Committee established by the PLAN LIFE TRUST to evaluate the proposed service plan and to determine if there are sufficient funds available to meet the budget. If the funds are insufficient, the budget will have to be revised accordingly.

Unanticipated expenditures arising during the budget year must be approved in advance by the Executive Director and the Trust Committee.

If the trust's funds are to be used to pay PLAN's bills, the bill must be approved by PLAN's Executive Director and a copy of the bill showing the payment sent to the Trust Protector, if named.

All budgeted payments for other goods or services will be billed directly to PLAN by the provider. Quarterly distributions will be made from the trust to a PLAN escrow account for personal expenses in accordance with the Personal Plan of Care. Monthly expenses will be paid from the escrow account.

Payments to beneficiaries who are receiving means tested benefits such as SSI and Medical Assistance are restricted to those payments which can be made without jeopardizing the means tested benefits. Trust property given directly to the beneficiary in cash or in a form which can be converted to cash is income and is counted in full. Each dollar of such income reduces the recipient's entitlement. Trustee payments directly to a vendor for goods or services which are not directly related to food or shelter, and which cannot be converted by the beneficiary to cash, are not counted as income. Beneficiaries receiving non-means tested benefits such as SSDI and Medicare do not have the same restrictions. More information about allowable expenditures can be obtained from the Executive Director of PLAN.

10. How will the trust assets be invested?

A separate account will be established for each trust with an established investment advisor. Each account will be invested taking into consideration the short term liquidity needs and the long-term growth needs of the beneficiary. Securities left in trust may be converted into cash for investment in accordance with the Trust's investment policy. Any specific investment instructions by the Settlor must be acceptable to the Trustee and must be recognized by the Settlor as advisory only. The Trust's investments will be

reviewed periodically to determine whether current conditions merit changes in any of the fund's investments. See PLAN's Investment Guidelines for Trusts.

11. Will the trust assets be commingled with the assets of other trusts of which PLAN is trustee?

No.

12. How much money should I leave in trust?

This depends upon the anticipated need for PLAN services and the personal needs of the beneficiary. The Settlor can make an initial tentative assessment from the Settlor's own experience. Consultation with PLAN's Executive Director and the beneficiary's case manager is recommended. Advice from a financial consultant might also be useful. PLAN Life Trust allows PLAN to prefer the beneficiary over the contingent beneficiary, and it is possible that the trust may be spent over the life of the beneficiary with no assets remaining at the time of the death of the primary beneficiary.

13. Is a minimum amount required to establish a trust?

The size of the Trust will be governed by the amount necessary to fund the Personal Plan of Care.

14. What happens if the Trust's assets diminish to a point where the trust can no longer carry out its purposes?

The PLAN Master Trust provides that if the funding of the trust is inadequate to meet its needs the Trustee may terminate the trust and distribute the then remaining principal to the Settlor, if living, or to any person or organization caring for the Beneficiary.

15. What happens when the Beneficiary dies?

The principal and undistributed income remaining in the Trust is distributed as provided in the Joinder Agreement. Settlor may want to consider making PLAN a remainderman in setting up the trust. This could enable PLAN to establish a fund as a reserve to provide for cases where an individual's trust fund itself is no longer adequate to meet the needs of a beneficiary.

16. What are the duties of the Trustee aside from investing the funds, receiving payments to the trust, and disbursing trust funds?

In the case of an irrevocable trust, either made irrevocable by the Settlor or becoming irrevocable on the death of the Settlor, the Trustee must file an annual Federal income tax return (Form 1041) and appropriate state returns.

If a trust is funded during settler's lifetime the income from that trust might be reportable for taxation purposes by the settler rather than by PLAN. If there is an *intervivos* trust, revocable or irrevocable, PLAN will need guidance from the Settlor and the Settlor's attorney on whether it is a grantor trust which will be reported under the grantor's tax identification or whether it will be reported as fiduciary account.

17. What will PLAN's fees be for serving as Trustee?

A fee schedule is available from the PLAN office.

18. What happens if PLAN goes out of business or can no longer serve as Trustee?

PLAN has been in existence for over 20 years, and the Plan Life Trust has been operating for over 6 years. We do not anticipate PLAN going out of business. In the unlikely event that PLAN did go out of business, if there is a Successor Trustee named in the Joinder Agreement, the trust will be turned over to the Successor Trustee. If no Successor Trustee has been named or if the named Successor Trustee is unable to act, the Master Trust provides for the appointment of a Successor Trustee. The Maryland Code also authorizes a person having an interest in the trust to petition the court for a Successor Trustee.

19. When can a trust be established?

A trust can be established at any time. It can be fully funded at its inception, partially funded with additional contributions at a later date, or created and later funded. A trust can be established with even an initial minimal contribution, \$1000 for example, but that amount might not be immediately invested. Small amounts may be held as a credit to the trust until the trust is funded to the point where it is practical to invest the principal.

20. Will the PLAN LIFE TRUSTEE act as co-trustee with another trustee of a trust already established?

No.

21. Will the PLAN LIFE TRUST act as a successor trustee to a trust which has already been established?

In general, PLAN will not accept the role of Trustee for a revocable trust which has already been established. Applicants will be asked to join the PLAN Life Trust instead.

The PLAN LIFE TRUST may agree to act as successor trustee of an already existing irrevocable trust, if the terms of the trust are acceptable to the PLAN LIFE TRUST Committee.

For Further Information Contact:

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