

What Is a Special Needs Trust in Massachusetts and Who Should Consider One?

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By Thomas J. Cleary on August 3, 2026

When you care for a person with disabilities, you understand how important it is to plan years, or even decades, ahead. You may wonder who will help manage their finances or where they will turn for additional support. You may also worry that leaving them an inheritance outright could disqualify them from the government benefits they depend on.

A special needs trust (SNT) is designed to solve exactly that problem. It lets you set aside resources for your loved one's benefit without those assets counting against means-tested programs like Supplemental Security Income and Medicaid. Working with an experienced [Massachusetts special needs trust attorney](#) at Cohen Cleary, families can protect assets, preserve benefit eligibility, and improve the beneficiary's quality of life.

What Is a Special Needs Trust?

A disabled loved one likely has access to government benefits crucial to maintaining food, shelter, and medical benefits. These benefits often come with income caps, and many families worry that leaving resources in an inheritance can disqualify them from receiving these very necessary funds. This is where a special needs trust can be key in effective estate planning.

A special needs trust is a specialized type of trust in Massachusetts designed to hold assets for an individual with a disability. Government assistance programs cover essential needs, but you want the best for your loved one. Setting up an SNT for a beneficiary addresses these other needs while preserving their ability to continue receiving government benefits.

These trusts are highly regulated. Documentation must be drafted in precise language, making working with an experienced estate planning attorney essential. Assets held within the trust do not legally belong to the beneficiary, meaning they do not count toward the strict asset limits set by public programs. Instead, a designated trustee manages the trust funds and makes distributions directly to third-party vendors for the beneficiary's care.

The 3 Types of Special Needs Trust in Massachusetts

If you are looking into types of special needs planning, you will generally encounter three distinct trust structures:

1. First-Party Special Needs Trusts

Also known as a self-settled trust, a first-party special needs trust is funded using the beneficiary's own money, often used in the case of a personal injury settlement, an unexpected inheritance, or accumulated savings. These trusts must include a [Medicaid payback provision](#), meaning that upon the beneficiary's death, any remaining funds must first go back to reimburse

[MassHealth](#) for the medical care provided;

Third-Party Special Needs Trusts

If you are a parent, grandparent, or other relative who is planning on leaving money for a loved one with a disability, a third-party SNT may be the most appropriate option. This trust is generally funded through estate planning, and since the money never belongs to the beneficiary, there is no Medicaid payback requirement. Upon the beneficiary's passing, the remaining assets can be passed down to other family members or charities; or

Pooled Trusts

Managed by nonprofit organizations, pooled trusts combine the funds of multiple individuals for investment purposes, with each beneficiary maintaining a separate sub-account. A professional trustee selected by the nonprofit manages the fund. Pooled trusts are often a good option for families who do not have a large amount of assets to fund a standalone trust or lack a suitable person to act as a trustee.

Speaking with a Massachusetts trust attorney can help you determine what will best benefit your beneficiary in your unique situation.

Who Qualifies and Who Benefits Most from a Massachusetts SNT

If you have a loved one with a disability that meets the (SSA) definition of having a [permanent and total disability](#), a SNT may be a valid and helpful option to consider. Families benefiting the most from establishing a trust in Massachusetts include:

1. Parents wanting to leave an inheritance for a child with special needs without disrupting their government benefits;
2. Individuals with disabilities who suddenly acquire assets, such as from a lawsuit or direct inheritance; and
3. Extended family members who wish to contribute to a loved one's future financial security.

If you have a loved one with qualifying disabilities, you should consider setting up an SNT for their continued care.

What a Massachusetts SNT Can and Cannot Pay For

An SNT is meant to improve the beneficiary's quality of life beyond what their government benefits already provide. Because certain distributions can affect those benefits, trustees must manage them carefully. Depending on the terms of the trust and the beneficiary's specific benefits, an SNT can generally pay for expenses such as out-of-pocket medical and dental care, education, assistive technology and equipment, a vehicle, travel, and hobbies.

Other expenses require more caution. Under Supplemental Security Income (SSI) rules, help with shelter counts as "in-kind support and maintenance" and can reduce the beneficiary's

monthly SSI payment. Shelter includes rent or mortgage payments, property taxes, and utilities like electricity, gas, water, and heating fuel. Food is treated differently: as of a 2024 federal rule change, it no longer counts against SSI, so a trustee may pay for the beneficiary's groceries. It also generally makes little sense to spend trust funds on costs a program like Medicaid already covers. And in every case, the trust cannot give cash or gift cards directly to the beneficiary, since those count as income and reduce SSI dollar for dollar.

How a Massachusetts SNT Affects MassHealth and SSI Benefits

Many families are surprised to learn that a standard trust or inheritance can render the beneficiary ineligible for programs like Medicaid and SSI that have strict income and asset thresholds. [Per federal SSI rules](#), individuals may not have more than \$2,000.00 in countable assets to qualify for the program.

Without an SNT, a direct inheritance, life insurance policy, or cash settlement could immediately disqualify your loved one from receiving SSI checks or MassHealth coverage. By placing those assets in a properly structured trust, the funds would not be counted. The beneficiary can continue to receive benefits and coverage while utilizing the trust assets for comfort and specialized care.

How to Set Up a Special Needs Trust in Massachusetts

To establish a special needs trust document, you must first determine which type fits your specific financial situation and select a trusted family member or professional trustee to manage distributions. Determining who will assume care for a disabled loved one is often a major step in estate planning. We typically advise families that this should be someone who is responsible with money, understands the beneficiary's needs, and is generally trustworthy.

Whether you choose a family member to act as a trustee or choose to work with a third party, an estate planning attorney can help you draft a comprehensive, legally sound trust agreement. Then, you will transfer assets so the trust is established, which can be done immediately or triggered later with a will or life insurance policy payout.

Common Special Needs Trust Mistakes Massachusetts Families Make

Even with the best intentions, families can make critical errors that compromise their loved one's future. Giving money directly to a disabled relative could trigger the loss of their government benefits. Giving assets to siblings or other family members with the idea that they will look after the needs of the disabled person can also backfire if they fail to uphold their duty.

Often, well-meaning family members try to save money by making their trust using generic, online forms. Working with a Massachusetts special needs trust attorney will ensure that your SNT accounts for state laws and vital MassHealth regulations.

Work with a Massachusetts Special Needs Trust Attorney

Planning for the special needs of a loved one requires experience and knowledge of legal compliance. A single drafting error can have devastating financial consequences for your loved one's future quality of life.

Get peace of mind knowing that your loved one will be safe, secure, and well-provided for throughout their lifetime by working with an experienced estate planning attorney. Contact Cohen Cleary, P.C. today to [schedule a consultation](#).