ASK VIVIAN:
Sage Planning's Vivian Villers

Q. "My nephew is receiving SSI and Medicaid and just uncovered a large mutual fund investment in an UGMA account. What do I do?"

An UGMA account is registered in the Social Security number of the minor individual and thus, the nephew is technically the owner of the investment. As you may remember, when an individual is on SSI and Medicaid, they are only allowed to have a maximum of $2,000 in assets (with the exception of an ABLE Account). The mutual fund in question has a balance of $20,000+ (which is over that $2,000 limit) and he could lose his SSI & Medicaid benefits.

There are two possible remedies that would prevent the loss of government benefits:

- One solution is to have a competent attorney draft a legally allowed OBRA '93 Medicaid payback trust and transfer the asset into the trust. In this circumstance, however, the amount of the investment account balance – in my opinion – too small to justify the expense of a stand-alone trust.
- As an alternative solution, I suggested that the client contact a special needs non-profit organization and transfer the assets into a pooled OBRA '93 trust. This would lower the cost to create, and the non-profit would also take on the responsibility of administering the trust and filing all tax returns.

The lesson here is do an audit of all assets before applying for government benefits.

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