



Special Disability Trusts

Special disability trusts (“SDT”) can help in providing for family members with a severe disability.

There are potentially significant concessions where family members and people with a severe disability rely (or may rely in the near future) on social security or veterans’ affairs entitlements, or would potentially qualify for income support if they transferred funds to a SDT.

To qualify, the trust **must** adhere strictly to the rules for SDT’s which must be established for the **sole purpose** of providing **care and accommodation** for a person with a severe disability.

The initial step is to verify with Centrelink or DVA that the person for whom the trust is being established is “severely disabled” as required by the SDT rules before establishing a trust.

Benefits

Income test

Income from the assets of a SDT will not be counted for the application of the income test to the beneficiary of the trust. The use of money from the trust, to pay for accommodation or care for the person with a severe disability, will not be counted as that person’s income, for income support purposes.

Assets test

- If a person with a severe disability is the beneficiary of a SDT, the assessable assets of that trust up to \$500,000 (to be indexed annually) will be disregarded for application of the assets test. This means that it will not affect the income support entitlements of the person with a severe disability.

- As the principal home of the person with a severe disability would also be disregarded, this means that the SDT could have assessable assets of up to \$500,000 plus the home in which the person with a severe disability lives before the excess assets are included in the principal beneficiary’s assessable assets.

When can a SDT be set up?

An SDT can be set up during your lifetime by a deed of trust prepared strictly under the guidelines and format of the legislation. Alternatively, the trust can be included under a Will to take effect upon your death.

Gifting concessions

Anyone can give to the SDT. However, the principal beneficiary (i.e. the disabled person) and their partner can only do so if the gift is funded by:

- assets the principal beneficiary received under a Will; or
- a superannuation death benefit received by the primary beneficiary;

and the funds are transferred to the trust within 3 years of their receipt by the principal beneficiary.

Any gift to the trust, whether it is from an immediate family member or any other person, must be unconditional and made without expectation of receiving any payment or benefit in return.

Some gifting concessions are available to immediate family members receiving pension entitlements.

If provision needs to be made for benefits outside of the ‘accommodation & care’, then a SDT and a Testamentary Trust can be included in a Will to cover these requirements.

Further details can be obtained by contacting your local FTL Estate Services office or national free-call 1800 623 530.

www.flinderstrustees.com.au

The above is intended to provide general information only and must not be taken or used as advice when preparing any document.