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Advice on ESTATE PLANNING

PA ABLE Accounts vs. Special Needs Trusts—What Every Family Should Know

C. Brian Crane, Esq.
Certified Medicaid
Planner™



Families who care for an individual with special needs face a unique challenge: how to set money aside for their loved one without jeopardizing vital benefits like SSI and Medicaid. Two tools can help—PA ABLE Accounts and Third-Party Special Needs Trusts—but they serve different purposes. Understanding how each works can make a tremendous difference in long-term planning.

PA ABLE Accounts

A PA ABLE account is a tax-advantaged savings program for individuals whose disability began before age 26 (rising to age 46 in 2026). These accounts allow families to save money for qualified disability expenses without affecting eligibility for means-tested benefits.

ABLE contributions are capped at the federal gift-tax limit—currently \$18,000 per year—and the account can grow to roughly \$500,000, though SSI benefits may be suspended once the balance exceeds \$100,000. Funds grow tax-free, and withdrawals remain tax-free when used for allowable expenses such as housing, transportation, medical care, education, assistive technology, and even basic living costs.

ABLE accounts are easy to open, inexpensive to maintain, and give the beneficiary a degree of control. However, there is one important limitation: upon the beneficiary's death, remaining funds may be subject to Medicaid payback.

Third-Party Special Needs Trusts

A Third-Party Special Needs Trust is created and funded by someone other than the

beneficiary—typically parents or grandparents—to hold assets long-term. Unlike ABLE accounts, these trusts have no contribution limits, can hold real estate or investment assets, and offer broad flexibility in how funds may be used.

Just as important, a properly drafted Third-Party SNT contains no Medicaid reimbursement requirement at the beneficiary's death. Any remaining assets pass to other loved ones, making this an essential estate-planning tool for families wishing to preserve wealth across generations.

A trustee manages the trust and oversees all distributions. This added structure is often helpful, though it does introduce administrative responsibilities and potential trustee fees.

Which Option Is Best?

For many families, the best approach is a combination of both. A Special Needs Trust is ideal for inheritances, life insurance proceeds, and long-term financial protection. An ABLE account complements the trust by providing a simple, tax-advantaged way to cover day-to-day expenses—especially housing costs, which an ABLE account can pay without reducing SSI benefits.

Together, these tools can help provide financial stability, protect essential benefits, and support your loved one's quality of life.



Crane Law, PC
YOUR ESTATE MATTERS

238 Market Street, Bloomsburg, PA 17815
(888) 776-3788 | brian@cranelawpc.com
www.cranelawpc.com

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