Dear Grandpa and Grandma: A Guide to Holiday Gifts for Individuals With Special Needs

Originally published in November 2020, the original version of this Voice® article was written by former SNA member Ed Wilcenski. The article was updated in 2026 with appreciation and gratitude for the original authors' work, with revisions by Latisha Bernard Schuenemann.

Each year as we approach the holiday season, we receive questions from our clients as to how grandparents and other relatives can make gifts to children with special needs without creating problems for government benefits. These conversations don't involve gifts of toys and other items of personal property, since these items are typically excluded as "exempt" resources and have no impact on public benefits. Instead, the questions usually involve how grandparents and other family members might make gifts of cash or other financial assets.

Most of our clients are informed enough to know that a direct gift of cash is almost always a bad idea. In fact, the challenge often lies not in the discussion of the type of gift, but rather in determining how best to raise the topic in the first place. Indeed, discussions of money can often be awkward and uncomfortable for both sides.

We thought it might be helpful if we wrote a letter to Grandma and Grandpa on behalf of the grandchild with special needs, in hope that it may facilitate a more detailed discussion with those who are inclined to be generous.

Dear Grandpa and Grandma,

Thank you so much for thinking about me again at this time of year. I know how lucky I am to have such generous family and friends. I am writing this letter to you because sometimes things that are done with the best intentions can result in unintended problems. Sometimes those problems occur immediately, but in many cases they don't happen until many years later.

I understand that you are concerned that I may not be able to work and support myself when I get older and that you would like to provide some financial assistance to help make it easier for me when that day comes. I want to explain some of the things that can happen when these acts of generosity are carried out for the right reasons, but in the wrong way.

Counting Your Nickels

You probably know that I get special help because of my disability. Sometimes that help comes in the form of a check each month, and sometimes that help comes in the form of government funded insurance to pay for social workers, therapists, and other aides that are not available through the school district or through mom and dad's health insurance. These programs have very strict limits on what I can own and what I can earn. When someone gives me money or opens an account in my name, I have to tell the government that I have assets in my name (even if I'm too young or incapable of spending it). When that happens, it puts my benefits at risk.

Delaying (not avoiding) the Problem

You might be thinking that a safe way to make gifts is to open an account which is not available to me until I reach 18, 21 or 25. This is partially true, because some government programs will disregard these accounts until I reach the age when the account will be put into my name. More often than not, however, these accounts create significant complications in the future, often involving additional time, effort and expense at precisely the time when you thought the money would be available to help.

For example, a Uniform Transfers to Minors Act (UTMA) account becomes my property when I reach the age of 18, 21 or 25. This occurs automatically, regardless of whether I am participating in one of those means tested government programs, and even if I am not capable (because of my disability) of managing that money. When this happens, I am really stuck. On the one hand, by law the money is considered mine when the account terminates on the relevant birth date. This means I will likely lose my Supplemental Security Income (SSI), Medicaid and other means-tested government benefit programs as of that date. Yet, at the same time, my disability may prevent me from making my own decisions with the money, so I may not be capable of taking any steps in order to protect my eligibility for benefits. In many cases I will need to hire a lawyer in order to get court permission to put the money in a different type of account, usually a type of "first party supplemental (special) needs trust" account. Depending on the amount in the account, I could end up with quite a bit less than you originally intended once the costs and expenses of the proceeding have been paid. In addition, any funds remaining in that trust at my death would have to first reimburse the government for any services it has paid on my account through the Medicaid program before it could pass to anyone else (your other grandchildren, for example). I know you wouldn't want that.

Words Matter

I know that you have been buying savings bonds for me from the day I was born. Sometimes you put my name on the bond, sometimes you put both my parent's and my names on the bond, and sometimes you put my parent's name on the bond, "payable on death" to me. These bonds can create the same types of problems that a Uniform

Transfers to Minors Act account can create. At some point they will be countable in determining my continuing eligibility for one of these really important programs, and I may not be capable of taking any steps to protect the bonds without the assistance of a lawyer and the permission of a judge.

The Unlucky Beneficiary

Maybe you were thinking that you can avoid some of these problems by waiting until the end of your life before the property is given to me, perhaps by naming me as a beneficiary on a life insurance policy, an annuity, or even a small retirement account. But remember that those proceeds are directly available (and countable) to me when you die if I am the named beneficiary. Just as with the Uniform Transfers to Minors Act account, the government benefit programs will count any assets that come to me by beneficiary designation.

Hoping for the Best, but…

While it may be difficult for you (and for me) to admit, it could turn out that I will not be ready to manage money when I turn 18, 21 or 25 regardless of possible concerns with government benefits. We both know how difficult it is to predict how any young child may act when he or she reaches adulthood. I may be able to read and write, have conversations, go to school and hold down a job, but I may be unable to make good decisions with my money. I may spend it irresponsibly, I may give it away, or (worse yet) I may not be able to tell when someone is taking advantage of me. Government benefits aside, it just may not be a great idea for me to have direct access to a lot of money when I get older.

What Can You Do?

There are ways that you can help me. Depending on the size of the gift, it may be easiest to simply give the gift to my parents and ask them to hold it for me. So long as the bank account is in their name and uses one of their social security numbers, it won't create a problem with my government benefits. For smaller gifts, this can be the best solution.

If you think that I may one day go on to higher education, you could open a "529 Account" for my benefit. These accounts earn money on a tax free basis, and have other tax advantages too. But the most important thing is that the accounts are considered owned by the person holding the money (i.e., the "owner" of the account), and not the person who might be using the money to pay for education expenses at some point in the future. Some grandparents open these accounts in the name of their children (i.e., the parent of the child with special needs). If it turns out that I'm not able to go to school, the money could be used for one of your other grandchildren who will have that opportunity. Your financial advisor can help you set up one of these accounts (although you might want to check with my parents' special needs trust lawyer to be sure the account is titled correctly, and that

the government benefit program rules which deal with these types of accounts haven't changed).

In the alternative, if I have an ABLE account, you might be able to put money in my ABLE account. These accounts have been around for about 10 years and many states have their own plans, just like 529 accounts. While this account is considered owned by me, the first $100,000 does not count against me as far as my SSI eligibility. Generally this account can have up to $500,000 in it before it adversely impacts my Medicaid eligibility. There are limits on how much can be added to an ABLE account on an annual basis depending on whether I am working and contributing to a retirement plan. This is another time where you might want to check with my parents' lawyers to see if this is the best tool or if another method is better.

It may be that my parents have done their estate planning and have already created a "supplemental (special) needs trust" for me as part of that plan. These trusts are specifically designed to hold money for people with special needs, and can provide the best of both worlds: a trustee is appointed to manage the money (sometimes a parent will serve as the trustee), and the trust is "exempt" in determining eligibility for most government benefit programs (i.e., the government won't treat the money as if I own it). You could also name the trust as the beneficiary of a life insurance policy or retirement account. Just remember that if you are thinking about a significant sum of money, it's important for you to talk to a lawyer who has experience working with these types of trusts.

And, of course, you could always buy me some toys…
But In The End, What I'm Really Thankful For …
…is knowing that you are thinking about me this holiday season.

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