True Link

Pooled Special Needs Trust Best Practices

True Link Financial

About True Link Financial

True Link Financial is a diversified financial services firm offering a range of money management tools, investment services, and software for trust and benefits eligibility management. We partner with trustees, fiduciaries, families, and individual consumers to protect independence and increase quality of life. Dozens of pooled trusts use True Link's restricted Visa card, pooled trust management, and investment advisory services. Our tech-enabled, user-friendly suite of services empowers pooled trusts to streamline operations and invest in increasing the quality and reach of their services. Our financial advisors act as stewards of trust finances, providing guidance and support, along with a measured perspective on global markets, capital management, and long-term investing. Leveraging deep financial expertise and the best of Silicon Valley technology across all of our services, we are headquartered in San Francisco, California. Founded in 2012, we have staff located throughout the US and customers in all 50 states.

For more information about True Link Financial, please visit www.truelinkfinancial.com.

Letter from the Chief Operating Officer

We founded True Link to provide high-quality financial services that enhance the independence and well-being of populations that have traditionally been underserved. With this mission, it was only a matter of time before we began to work with pooled special needs trusts, nonprofits that provide individuals with disabilities a way to retain government benefits eligibility while accessing supplemental funds that contribute to their quality of life and well-being.

Today, we partner with scores of pooled trusts across the country to bring compassionate, knowledgeable, and high-quality financial services to their beneficiaries. While the field of pooled trusts is a young one, a result of enabling legislation passed in 1993, it is rapidly growing and continuously improving. We see on a daily basis that every increase in trust efficiency has a direct impact on beneficiaries' quality of life, which is why we've decided to share what we've learned through these partnerships. Given the number of pooled trusts we support and the close relationships we build with administrators, True Link is in a unique position to see differences and similarities across operational strategies, as well as challenges and successes across organizations. We've collected this information and developed a short list of best practices—as conveyed to us by professionals in the field—with the hope that this document serves as a resource for pooled trusts looking to provide the best service possible to individuals with disabilities.

Sincerely,
Claire McDonnell, COO
True Link Financial

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Introduction

No one said running a pooled special needs trust was easy. It's a challenging job that requires the right mix of operational and financial expertise, legal savvy, and dogged determination. As mission-driven organizations, pooled trusts and those who run them are motivated not by financial gain, but by a passion for serving the underserved. This means that funds needed to grow and improve a trust can be limited.

Thus, many successful pooled trusts have gotten where they are by being remarkably resourceful. Model pooled trusts are always looking for ways to improve service quality on a limited budget. They are willing to try new things and take risks that support long-term sustainability. They are strategic about whom they serve and how. And they act carefully to build organizational capacity and improve beneficiaries' lives. Simply put, these resourceful pooled trusts optimize operations to increase impact.

Here and there—at conferences, communities of practice, and casual coffee dates—pooled trust leaders are able to trade tips and learn new strategies about how to optimize operations. The lessons these leaders have learned over the course of the last two decades are an invaluable resource and deserve to be shared more broadly.

Through True Link's ongoing work with pooled special needs trusts, we have found that the most successful trusts distinguish themselves in one or more of the following ways: how they communicate with beneficiaries, use technology, develop administrative processes, manage financial assets, and build their teams. These trusts develop advantages—often through a time-intensive and iterative process—and overcome the odds to thrive in a resource-constrained environment.

How do we know when something is a “best practice”? Trust leaders tell us. When it comes to technology, for example, people’s own descriptions range from “Digitizing our documents has completely transformed our practice,” to “We succeed despite our technology—it’s terrible.” Our hope is that by collecting and publishing best practices, effective trusts will learn from the innovations of others and continue to break ground in the field, and newer trusts will be more likely to succeed.

Beneficiary communication

Understand, communicate, review, and reach out

One of the toughest jobs a pooled special needs trust must do is balance two interests often at odds with one another—protecting an individual’s government benefits eligibility and providing for things that enhance quality of life. Making sense of this tension can be vexing for beneficiaries and advocates alike, leading to conflict, non-compliance, and a sense of disempowerment, as well as countless staff hours spent explaining and re-explaining the rules. Most trusts attempt to clarify guidelines and ease frustrations, but it takes significant effort and skill to do so successfully.

High-performing pooled trusts tackle this challenge in three ways. They seek to understand the beneficiary’s situation, communicate critical information—especially restrictions—early on in the relationship, and maintain ongoing, regular contact.

Even before trust documents are signed, beneficiaries, advocates, and grantors typically communicate with one or more staff members to learn about the trust and how it works. High-performing pooled trusts take these conversations as an opportunity to learn about the beneficiary’s situation, goals, and needs, and to lay the foundation for a transparent, productive relationship. Rather than just answering questions as they come in, trusts can proactively provide information about things that might need a little explaining, like the onboarding process, fee schedule, and disbursement guidelines.

Once a beneficiary has formally joined the trust, staff members conduct comprehensive onboarding calls or in-person meetings with beneficiaries and their advocates. The trust confirms information provided in the Joinder Agreement and collects contact information—including email addresses and phone numbers—for attorneys, caretakers, relatives, service providers, and social workers. Staff members take detailed notes on the beneficiary's needs, living situation, capacity, spending habits, anticipated future purchases, and government benefits. This information is then incorporated into a monthly spending plan to help the beneficiary, as well as the trust, budget appropriately. All information is entered electronically into an internal client database. Hyper-efficient trusts enter data in real time as meetings are conducted.

These initial conversations are critical to set expectations about how trust funds can and cannot be used in light of the beneficiary's specific situation. Internalizing norms can be the hardest part for beneficiaries in adjusting to trust processes and developing positive relationships with staff. By focusing on communication and clarity at the outset, trusts are able to prevent future confusion and challenges.

In conjunction with onboarding conversations, the trust creates a packet of essential information for the beneficiary. This includes a welcome letter, guidelines on what the trust can pay for and what it can't, information on the disbursement request and approval process, and contact information for the trust. They also make many of these materials available even before official enrollment, including on their website.

What distinguishes high-performing trusts from others is the quality and clarity of these materials. Trusts that create user-friendly forms, easy checklists, visual resources, and documents geared towards the population served—rather than materials designed for lawyers, for example—reported higher success rates with the onboarding process. Some trusts take this even further, sending duplicate materials to advocates, loved ones, and service providers so everyone is on the same page. Still others create customized packets for beneficiaries depending on the type of benefits received. This can be a significant time-saver further down the line, as beneficiaries and their advocates are better equipped to understand guidelines and submit appropriate disbursement requests. To simplify the customization process, trusts use ready-made templates and benefits-specific materials.

These early engagement efforts lay an important foundation in establishing effective communication with beneficiaries, but trusts that excel at this know that these efforts aren't enough. Maintaining ongoing contact is critical, as situations and needs can change. With some beneficiaries this is easy to do, as they call frequently with questions and requests. With others, it may be more challenging to keep in touch if their disbursement needs are minimal or routine. Setting a needs-based engagement calendar for each beneficiary, with reminders scheduled immediately following the onboarding call, can be an effective strategy. Calendar items can include regular check-ins with beneficiaries themselves, as well as advocates and service providers. Some trusts conduct an annual review of each beneficiary's account on a rolling basis (for example, every May reviewing all accounts originally initiated in the month of May); others conduct an annual survey of all accounts at once.

They review things like accounting, spending rate, age, changes in health, and housing situation. This enables better recordkeeping about the beneficiary's situation, facilitates effective coordination with advocates, and staves off conflicts—including potentially serious issues—before they start.

An important way to evaluate the effectiveness of a trust's communication with beneficiaries is to ask for feedback. Some trusts survey their beneficiaries about how the trust is serving them and how they'd like to see that service improve. This feedback can provide invaluable guidance on everything from simple improvements that might make a big impact on people's experience with the trust to components of the service that people really appreciate but don't go out of their way to mention unless asked. This information can be especially helpful if respondents are segmented by factors like frequency of disbursement requests and length of time enrolled in the trust, so, for example, it's clear how perspectives on the onboarding process differ among those who completed it two years ago versus those from last month. This survey can happen via phone, email, postal mail or some mix of those. While conducting a survey takes time, trusts report that this time investment is quickly repaid because it allows them to focus their improvement efforts on the highest impact areas.

Technology

Digitize documentation

Pooled special needs trusts rely on proper documentation not only to protect beneficiaries' eligibility for government benefits, but also to protect the ongoing viability of the trust. Documentation consists of everything from trust agreements to approved disbursement requests to reams of receipts to court correspondence. Now factor in dozens of beneficiaries over dozens of years, and you have a lot of paper—indispensable, obligatory paper.

More often than not, pooled trusts find it difficult to part with paper documents, and for good reason. There are fears around what is expected from auditors and courts, concerns about online security, and limited internal capacity to revamp administrative systems to account for technical requirements like data redundancy. However, trusts that have been able to make the break and move to a digitized system are seeing profound advantages.

Paperless pooled trusts employ a range of tools to digitize documents. Instead of collecting signatures via paper and pen, they use services like HelloSign, eSignLive, or DocuSign, which offer electronic signature technology as well as comprehensive audit trails. These systems can be used to expedite communication with beneficiary advocates and external partners, and can facilitate internal authorization when multiple approvals are required.

In addition to collecting electronic signatures, pooled trusts that implement this best practice collect and share documents electronically.

This includes receiving and sending faxes via a multi-function printer or services like HelloFax and MyFax, and using email or cloud-based programs to share attachments. For documents commonly received as paper—mailed-in disbursement requests, trust receipts, and credit card statements, for example—paperless pooled trusts do the digitization in-house via a scanner or even by taking a photo with a smartphone. Apps such as Genius Scan and TurboScan make it easy to turn a photographed document into a PDF, which can then be uploaded to a secure internal server.

While the time and effort needed to switch to digital may seem monumental, the paperless pooled trusts we spoke to described it as a game-changing investment. They reported increased efficiency, newfound capacity to grow their trusts and accept more beneficiaries, savings of time and money, and improved internal communication. Additionally, they found that auditors and court officials appreciated the change, as it enabled them to receive the specific documentation they needed, delivered digitally or printed on demand, more quickly. While it's possible that not all auditors and external partners would have the same warm reaction, digitization enables trusts to create reports and generate the required documentation—even if it must be printed out—in an organized, efficient way.

Use technology to simplify the disbursement process for beneficiaries

The diversity of beneficiaries and advocates within and across pooled trusts is significant. This includes diversity of needs, financial means, familial support, and personal capacity. It's no surprise then that different beneficiaries appreciate different options when it comes to submitting disbursement requests.

Model pooled trusts offer their beneficiaries multiple ways to submit requests, whether it's via an online system, email, phone call, smartphone, postal mail, or fax. While it may seem like more work to coordinate multiple methods, trusts reported greater compliance, fewer hours spent fielding calls and addressing concerns, and quicker disbursement turnaround times. The intuitive lesson here is that it's easier to teach your staff to do the same task multiple ways through good technology than it is to persuade all beneficiaries to do the same task the same way.

Additionally, trusts indicated that in providing multiple ways to submit a request, they are able to enhance service and improve beneficiaries' quality of life. Moreover, they believe that they're paving the way for lasting, high-quality service. While many beneficiaries continue to use postal mail, fax, and phone calls, trusts reported increasing numbers of beneficiaries favoring email, online, and mobile disbursement request functionality. With a diverse range of options already in place, these trusts are primed to evolve along with the people they serve.

Administrative processes

Strike a balance between diligence and efficiency in reviewing disbursement requests

Progress-oriented pooled trusts are always looking for ways to improve efficiency. The disbursement review process is one area in particular where small changes can go a long way in saving an organization time.

In reviewing requests from beneficiaries, model trusts strike a balance between diligence and efficiency. They enlist no more than two to three team members to conduct reviews and utilize technology built for this purpose. Trusts that use electronic approval systems are able to simplify reviews and avoid the biggest barriers to efficiency: in-person, staff-to-staff handoffs and manual reviews. With a web-based system, an individual reviewer conducts her own assessment, signs off via e-signature, and automatically passes the document to the next person in the chain electronically. The entire process is captured and documented for future audits, and can be completed in any approved location, at any time.

Additionally, pooled trusts with streamlined multi-person approval systems stay focused on the task at hand: documenting discretion and ensuring appropriate disbursements are made. If the goal is to review and approve requests, then check signing shouldn't be a barrier to accomplishing the primary goal. For example, if Person A does an initial review of disbursement requests and Person B does a final review, then Person C can quickly sign all checks at once without debating approvals. Or, if person C both needs to do a final review and also sign the checks, those should nevertheless be two separate, streamlined activities. Rather than conflate the legal review process with other operational tasks, pooled trusts that employ this best practice ensure that manual processes don't hold up electronic ones.

Integrate systems for efficient check reconciliation

It may seem obvious that consolidating systems can simplify administrative work—fewer vendors to deal with, fewer pieces of the puzzle—and yet high fixed costs, multi-year contracts, and limited staff capacity can make integration challenging to implement. Nevertheless, successful pooled trusts make integration a priority, especially when it comes to check reconciliation.

In order to issue and reconcile checks, many trusts employ three separate systems to get the job done: banking, accounting, and check processing. Manual reconciliation is often necessary because of the disconnect between banking and check processing systems. When a trust has hundreds of checks going out each month, at any given time some will have cleared and some will be in transit. Add in any movement outside the account, and you've got a reconciliation headache. With unintegrated systems that require full manual reconciliation, you introduce more opportunities for human error and lose hours that could be better spent elsewhere. Trusts that use software that includes both accounting and check writing have the leg up.

Ensure you're getting the benefits of a *pooled* trust

Pooled trusts are pooled for a reason—it reduces investment costs and systematizes administrative efforts. When portfolios are truly pooled and ownership is allocated via methodologies like unitization, it can substantially reduce staff time spent on financial operations.

Trusts that seek to get the full benefits of pooling use software built for this purpose, rather than maintaining separate asset accounts or doing the financial math by hand. This software can also make it easier to charge fees consistently and accurately without requiring significant amounts of staff time on a task that is widely seen as troublesome. Some trusts pay for software à la carte, others obtain it as part of a bundled package with their wealth manager, and still others employ advisors that own the software themselves. In any case, the chosen system invests assets as a pool while calculating individual balances on a day-to-day basis. This dramatically simplifies accounting and enables staff to keep a close eye on fund ownership without having to do complex calculations.

Asset management

Implement checks and balances and encourage open dialogue

Trustees, boards, and staff of pooled trusts have widely varying degrees of expertise and comfort with financial concepts. When knowledge is limited, a trust must rely more heavily on the advice of its financial advisor and hope that he acts in the best interest of beneficiaries. Effective trusts implement a system of checks and balances and insist on open dialogue to ensure that the right investment management decisions are being made.

In order to have adequate supervision in place, trusts look to a range of sources, including knowledgeable staff, external partners, and board members. A high level of expertise is not necessary; rather, the select individuals need only be fluent enough in financial concepts and the goals of the trust to engage in thoughtful dialogue with the advisor. It is also important that these individuals have enough professional and personal distance from the advisor to ensure an impartial review.

The financial advisor's responsibility, in turn, is to offer plain-English investment advice, encouraging staff and board members to be hands on rather than hands off. Clear communication is key.

Effective pooled trusts encourage this kind of communication—which ultimately supports wise investment decisions—by educating their financial advisors about those being served. This includes sharing information like beneficiary demographics, estimated longevity, and diversity of needs, as well as timing and magnitude of needs. This information enables an advisor to determine risk characteristics, recognize diversity within the pool, and ultimately craft appropriate portfolio options.

Manage cash effectively

Cash management is an area where some trusts experience substantial friction, while others use approaches that consistently and easily work. The best practice is using historical trends and knowledge of beneficiaries' needs to develop data-driven projections. Some trusts do this in house; many rely on their financial advisor. If data-based estimates aren't used, pooled trusts tend to act conservatively, stockpiling excessive cash, or recklessly, maintaining a precariously low cash balance. Both have consequences. Keeping too much in cash can be a drag on portfolio performance. Keeping too little in cash can lead to a forced sale, exposing the portfolio to interest rate risk and resulting in losses that affect everyone in the pool.

Be aware (and beware) of expense ratios and internal fees

Calculating overall portfolio expenses sounds simple enough, and yet multiple layers of fees can make this challenging. For example, if a financial advisor charges an advisory fee and recommends his company's mutual fund—which has both a load fee and internal expenses—he is effectively charging a percentage of assets three times. Pooled trusts looking to ensure that beneficiaries receive the best deal possible recognize the value of asking for the fully loaded cost.

A portfolio's fully loaded costs may include load fees, advisory fees, expense ratios, trading fees, and other incidental charges. Savvy trusts are aware of each of these costs and understand that percentage-based fees are paid in real money. For example, on a $60 million trust, the difference between one percent overall costs and two percent overall costs is $600,000 each year. If this trust serves five hundred beneficiaries, that's a difference of $1,200 per beneficiary each year. You would be hard pressed to find a trust that would spend $600,000 on anything without careful consideration, and yet there are some that are paying this amount or more without realizing what's at stake.

Leadership and human capital

Focus on continuous improvement

The importance of strong executive leadership cannot be overstated when it comes to pooled trust operations. All the usual trappings of an effective leader are vital—intelligence, drive, creativity, commitment—yet one quality in particular stands out: a relentless focus on continuous improvement.

Pooled trusts that implement best practices are able to do so not because of some innate or fortuitous upper-hand. Launching a trust is grueling work—no matter who you are, what board you have in place, or what resources you have available. Trusts can take years to break even and missteps along the way are inevitable. However, model trusts distinguish themselves by systematically learning from experience and iteratively applying key insights. It takes a bold leader to champion this process and make it a fundamental part of the organization's strategy. These leaders prioritize reflection, encourage dialogue, acknowledge areas of improvement, and take risks. They're not afraid to try something new.

Pooled trust leaders institutionalize the process of continuous improvement in varying ways. Some methodically collect data and use it to drive decision-making. Others include the topic as a discussion item during annual retreats or board meetings. Others enthusiastically participate in opportunities to connect with colleagues and experts and learn from them. Still others cultivate the practice of learning and measurement as a cultural value across the organization.
The common thread here is a dedication to continuous learning and the development of a deep and nuanced knowledge base about all matters

that are critical to running the organization, especially trusteeship, benefits eligibility, and relevant legal matters. This knowledge base is developed across the team. The drive for continuous improvement remains a hallmark of model pooled trusts.

Develop and retain essential talent

Just as organizational leaders play a critical role in pooled trust success, so do the staff. Effective pooled trusts invest in staff development and retention because they know that institutional knowledge is invaluable. It can take years for a pooled trust to reach steady state, and employees who stay along for the ride become co-architects of the organization. They understand priorities, set standards for service quality, develop deep expertise in trust law and benefits eligibility, and engineer the administrative systems that are essential to operations. They also develop the judgment required to keep a pooled trust—with its constant demands of nuanced case-by-case decision-making—operating. This kind of experience is irreplaceable, especially when you consider that the organization's financial health—and ability to retain talent—is linked to the whims of the market.

The majority of pooled trusts rely on a percentage of assets under management (AUM) to sustain operations. In a year when the market is strong, trusts can generate a modest surplus and use this to create a rainy day fund. Then, during market downturns when resources become limited, these trusts are not forced into a position of laying off highly trained employees. Best practice pooled trusts work with their financial advisors to build market projections and develop related financial plans that will survive this broad range of scenarios. Sometimes this means hiring slowly—and in an organization that is always overworked and underpaid, running a surplus is always a tough decision—but this wisdom pays for itself in the long run.

Developing a retention strategy and cultivating future organizational leaders is something that too many pooled trusts overlook. The most effective trusts know that their organizations are only as good as the people who run them. They endeavor to keep staff engaged by offering growth opportunities and greater responsibilities, and they work hard to establish trust and a culture of transparency. They also invest in helping staff continuously deepen their knowledge and become part of a community of practitioners who understand their work and its value through conferences and educational opportunities. They seek to create a culture that recognizes how demanding the work of trust administration can be and reinforces the value of the work being done. For example, one trust makes time to share "mission moments" in every staff meeting. Here, team members share stories of how they've seen their service make a positive impact in the lives of beneficiaries.

Areas of variation

While effective pooled trusts share a broad range of best practices, variation still exists, indicating that a successful trust can take numerous shapes and forms. Some of the most notable areas of difference are as follows:

> Trusteeship structure

In some instances, the pooled trust's board or executive director serves as trustee. In others, a separate agency—either nonprofit or for-profit—fills that role or acts as a co-trustee.

> ### Organizational ties

While some trusts are offered as part of a broader organization's services, others operate as a stand-alone entity. Trusts may choose to partner with local banks or other nonprofit service providers in a community. Others choose to act independently. The most important relationships are often referral relationships that bring more beneficiaries to the trust.

> ### Remainder interest

Across the board, transparency and ethical considerations are a top concern among pooled trusts when it comes to remainder interest. Some pooled trusts have strict policies that prevent the retention of any remainder interest. Others retain remainder interest and use it to run charitable programs, support operations, or subsidize fees for lower-income beneficiaries.

> ### Case management and other wrap-around services

There is a wide range of variation of services provided and service models employed. For example, some trusts offer case management in-house, providing extensive hands-on support to the families they serve. Others leave this to nonprofits or partner agencies and focus exclusively on financial management. Case management can be time-intensive and expensive, so as a new trust is getting off the ground, providing high-quality case management in-house may require a larger pool of start-up funding. The decision to offer specific services is often closely tied to the partnerships and referral relationships the trust has in place, as well as the resources available.

> People served

Pooled trusts may focus on serving specific populations, such as individuals with intellectual and developmental disabilities or older adults. Others provide services to a broader range of individuals, including those with mental health conditions. Still others have no enrollment requirements, except for having a disability.

> Fee structure

Fee structures vary dramatically across trusts. Some have flat fees or asset-based fees; others base payment on use of trust time and resources. Some have minimum contributions, and others do not. Percentages charged for administrative fees and investment services vary greatly.

Conclusion

In any field, there are always those leaders and institutions that push the boundaries and find surprising new ways to improve and thrive. In fields where there are notable constraints—financial, legal, or regulatory—creativity is often necessary. Pooled special needs trusts find themselves facing all these constraints while simultaneously providing an essential service to a marginalized population. Many would find this overwhelming—a good reason to stay out of the pooled trust business, no doubt. And yet the field exists, full of leaders who are committed to achieving excellence while improving the lives of people with disabilities.

In order to make progress, these leaders have learned to optimize operations, find new efficiencies, and stay resourceful. They look for opportunities to strengthen communication with beneficiaries, use technology, improve administrative processes, engage their wealth managers, and develop talent. They never assume to know it all—continuous improvement requires an ongoing effort—but they're willing to share what they've learned along the way.

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