

# Educational Trusts

## Frequently Asked Questions



**Ardent Community Trust of Pennsylvania**  
*Formerly - The Arc Community Trust of Pennsylvania*

*Enhance*



*Protect*



*Provide*

*Individuals with disabilities and their families face significant challenges in planning for their future. ACT, serves as trustee of several kinds of trusts benefiting individuals with disabilities. Established in 2001 to address parents' wishes to protect their children's futures, ACT now serves more than 700 individuals, providing peace of mind to individuals with disabilities and their families.*

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### **1. What can be purchased with an Educational Trust?**

An individual with a disability may need a variety of The settlement agreement and trust agreement that were negotiated between the parents normally define the ways in which an educational trust can be used, usually by defining “legitimate educational expenses.” Parents should consult their lawyer to be sure that the definitions in their settlement agreement and trust agreement cover the things the parents hope to provide to their student. Each definition of legitimate educational expenses is different and should reflect the specific circumstances of the individual student, but almost all definitions permit the following:

1. Tutoring.
2. Educational testing and evaluations.
3. Vocational training.
4. Accredited internet instructional programs.
5. Computers and educational software.
6. Books and other educational materials.
7. Transportation to educational programs.
8. Trustee fees and other costs of maintaining the trust.

Sometimes, but by no means always, the definitions will permit the following:

1. Post-secondary education.
2. Physical education.
3. Social skills training.
4. Physical rehabilitation services.
5. Summer programs.
6. Lawyers' fees.

Very often the settlement and trust agreements will explicitly prohibit use of funds from the educational trust for the following:

1. Food and clothing.
2. Medical treatment not directly related to educational needs.
3. Recreation and entertainment.
4. Vacations.
5. Acquisition of vehicles.

Again, each agreement is different and parents and their lawyers need to be sure that the definitions of “legitimate educational expenses” in their agreements are appropriate to the particular student's situation.

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### 2. Who decides if something is a “legitimate educational expense”?

The parent or guardian of the student is the person who makes requests that the educational trust pay for specific expenses, but it is The Arc Community Trust of Pennsylvania, as trustee, that makes the final decision as to what is or is not a “legitimate educational expense.” ACT will not serve as trustee for any educational trust that requires the school district to pre-approve payment of expenses.

### 3. How are requests made?

Parents and guardians can make requests for payment of educational expenses by the educational trust by letter, fax, or e-mail to one of ACT’s trust administrators. The request should be specific so as to allow the trust administrator to decide whether the requested payment is allowed under the settlement and trust agreements. Families may need to supply additional documentation before a request can be approved. Please allow up to 10 days after documentation is complete for a request to be processed.

### 4. How are legitimate educational expenses paid?

State and federal law do not permit ACT to simply send cash to parents and guardians to make purchases. ACT prefers to make payments to service providers directly. For instance, tutors, psychologists and therapists will send bills to ACT for direct payment and computer purchases are usually accomplished through arrangements that ACT has with stores such as Staples and Best Buy. If parents prefer to make the purchases themselves, they can be reimbursed for pre-approved purchases from their child’s educational trust if they can provide detailed receipts showing what has been acquired.

### 5. Are there any special rules a parent or guardian should know about?

A few. If an educational trust is being used to pay tutors, psychologists, therapists and similar service providers, ACT cannot make the payments until ACT has copies of the provider’s credentials on file. Failure to provide receipts will result in the parent or guardian being barred from receiving store cards in the future. Even if the settlement or trust agreement are silent on the point, the educational trust will only pay for a single computer in any three year period (either desktop or laptop) unless the parent or guardian can present a compelling reason to do otherwise. ACT may develop other rules from time to time as experience requires.

### 6. How long will an educational trust last?

Most educational trusts have a defined term, typically ending on the child’s graduation from high school or 21st birthday or some other fixed date. Education trusts also can end if the money has been entirely depleted or if the child dies before the end of the term. ACT will work with parents and guardians to be sure that they remain aware of the time limits. Any money remaining in an educational trust at the end of the trust’s term is usually required to be returned to the school district.

### 7. What Happens to the Money while It Is in the Trust?

ACT invests educational trust money with professional investment managers. Because of the relatively nominal value and the short length of most educational trusts, they are invested very conservatively in money market and other cash equivalent investments. This is intended to protect educational trusts against market losses so that the contemplated educational services can be acquired when needed.

## ACT Trusts Web Links

**Self-Funded** - [WWW.ACTPA.ORG/SELF-FUNDED/](http://WWW.ACTPA.ORG/SELF-FUNDED/)  
**Third-Party** - [WWW.ACTPA.ORG/THIRD-PARTY/](http://WWW.ACTPA.ORG/THIRD-PARTY/)  
**Pooled** - [WWW.ACTPA.ORG/POOLED/](http://WWW.ACTPA.ORG/POOLED/)  
**Education** - [WWW.ACTPA.ORG/EDUCATION/](http://WWW.ACTPA.ORG/EDUCATION/)