

2021 POOLED SPECIAL NEEDS  
TRUST INDUSTRY REPORT:  
CROSSROADS

December 2021

Dear Colleagues,

The Special Needs Financial Services Institute (SNFSi) is pleased to publish the second annual SNFSi Pooled Special Needs Trust (PSNT) Industry Report.

The purpose of this Report is to provide actionable information about and visibility into financial products and services for people with disabilities so that individuals, families, and trusted advisors can make fully informed decisions.

Our [searchable database](#) of providers enables people to locate and connect. Please reach out to us anytime at SNFSi for more comprehensive information and analysis, for profiles of individual PSNTs, and SNFSi's "traffic light" PSNT provider ratings.

Our research is independent and unbiased. Detailed information about SNFSi's approach and methodology is included in this Report beginning on Page 9.

We invite the use of our data with permission and acknowledgment of SNFSi as the source. Please call or email to request permission to use the information in this Report.

Kind regards,

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SNFSi is an independent research organization launched in 2020 by Capital Motion LLC. Our work provides much-needed visibility into financial products for people with disabilities and the organizations that provide them. SNFSi offers market intelligence services and PSNT provider profiles and ratings.

## Table of Contents

I.	Industry Overview	4
II.	PSNTs By the Numbers	5
III.	Looking Ahead	9
IV.	Research Methodology	10

### SNFSI RESEARCH POLICIES

SNFSi adheres to the [Insights Association \(IA\) Code of Standards and Ethics for Market Research and Data Analytics](#)

The Code is based on the following principles:

Respect the data subjects and their rights as specified by law and/or by this Code.

Be transparent about the collection of Personally Identifiable Information (PII); only collect PII with consent and ensure the confidentiality and security of PII.

Act with high standards of integrity, professionalism and transparency in all relationships and practices.

Comply with all applicable laws and regulations as well as applicable privacy policies and terms and conditions that cover the use of data subjects' data.

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## I. Industry Overview

*The SNFSi research universe includes all Pooled Special Needs Trust Administrators, currently 121. The published SNFSi database includes 105 providers who disclose information sufficient to perform analysis and develop a rating and are currently accepting new business. Among these providers, together the 20 largest who disclose assets steward \$1.7 billion. Disclosed assets and estimates of assets administered by organizations who do not disclose suggest that the industry stewards about \$5 billion in aggregate pooled special needs trust assets.*

SNFSi's first annual PSNT Industry Report concluded that there is an opportunity for growth for organizations providing PSNTs. That opportunity still exists, based on our analysis. Drivers of this opportunity include a significant unmet need for financial planning products and services for people with disabilities and the ease of use and efficiency of pooled special needs trusts as a financial tool.

This year's industry data highlights several obstacles to the widespread adoption of PNTS and suggests that addressing those obstacles is key to fully realizing the industry's potential.

Among them are:

- 1) The opacity of information about fees, financials, and organizational structures (e.g., about half of the organizations included in the database provide fee disclosure)
- 2) Each provider's unique mission and service model. While choice is a good thing, most people compare products and services to make decisions. Comparison is particularly challenging in this industry.

Given historical PSNT administrator alignment with human services and the disinclination to standardize operations and services at an industry level, these fundamental obstacles are entirely understandable. Many PSNT administrators were launched by people and/or organizations focused on providing multi-generational care for people with disabilities and were not intended to be fee-generating asset-gatherers.

Today, however, the industry also includes organizations primarily focused on asset-gathering and organizations whose goals incorporate elements of each orientation. These provider cohorts are not fully aligned with one another.

This misalignment has several impacts. There is tension in staying on-mission for human-service-focused providers while effectively prioritizing organizational sustainability and fiscal health. For asset gathering-focused providers, there is potential to create reputational risk that causes widespread damage to the industry amid concerns about taking advantage of people with disabilities.

## II. PSNT Industry by the Numbers

One of the hallmarks of PSNT providers at this point in the industry’s lifecycle is the lack of similarity in business models. Because of the requirement that PSNTs are sponsored by nonprofits, there is a nonprofit entity for each. How that entity and other affiliated enterprises are organized, and their relationships vary widely.

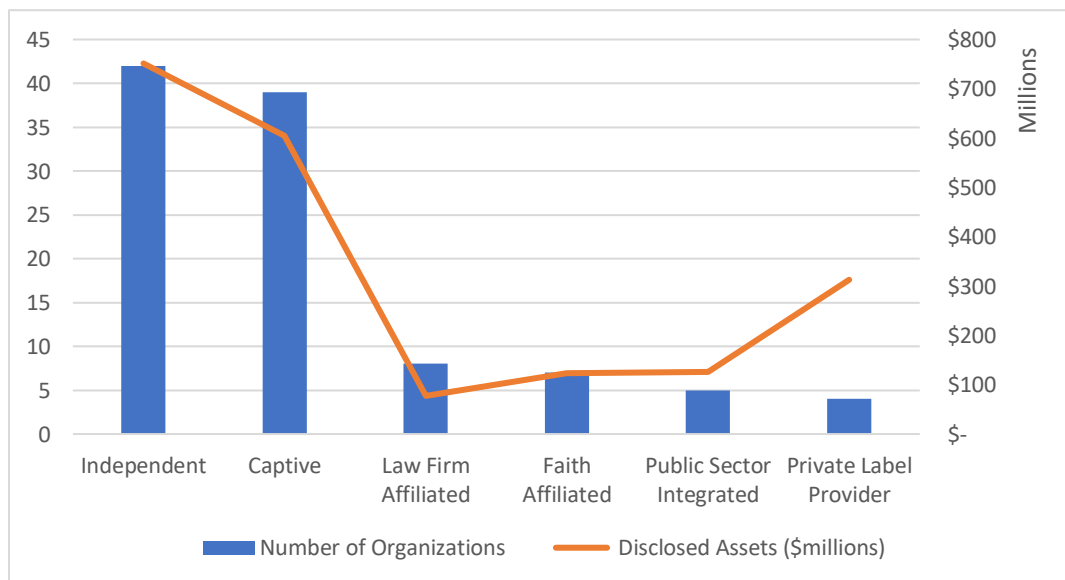
Obtaining information about providers is also challenging. Providers have multiple tools for sharing information about their organizations. These include public-facing websites and documents, financial filings, annual reports, and trust documents. Some use many of these tools and others do not. To complicate matters, there is no industry standardization regarding accounting practices. For example, some organizations include beneficiary assets and funds set aside for grantmaking on their balance sheets, and others disclose that information separately, and others, not at all.

This situation makes apples-to-apples comparisons of services and organizations extremely challenging without the benefit of baseline information. The information in this Report is designed to provide high-level visibility into the industry by sharing baseline data. More detailed information is available from SNFSi.

### Industry Landscape

SNFSi segments providers into six categories based on primary business model. These categories are adjusted slightly from earlier research reports. The chart below expresses each category in a blue bar based on the total number of providers in the category in the SNFSi database. The orange line indicates trust assets for organizations that disclose them.

Exhibit 1



**Ratings Results**

Of the 105 providers currently in the SNFSi database, 46 received a rating of Above benchmark, 26 received a Neutral, or at benchmark rating, and 33 received a rating of Below benchmark.

Disclosed assets are unevenly distributed across ratings. More disclosed assets are with providers rated Above benchmark than with the other two groups. Below benchmark providers show a disproportionately lower level of assets, with providers rated Neutral disclosing the lowest proportion of assets.

This distribution suggests that the market is not yet rewarding provider commitment to excellence as measured by Financial Sustainability, Governance & Leadership, Beneficiary Fees, Client Service Model & Approach, and Social Responsibility & Impact.

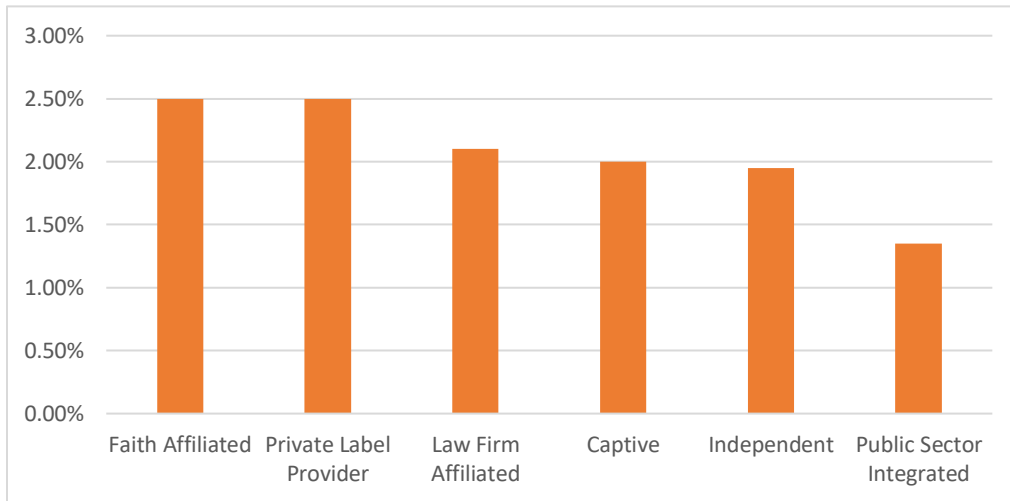
**Exhibit 2**



**Annual Fees**

The median annual fee for trust administration and related services across the industry for entities in the SNFSi database who disclose that information is 2.05%. The chart below shows median fees by segment. These fees do not include underlying investment costs and other miscellaneous charges that are not identified as annual expenses. They do include disclosed fees for predictable annual expenses such as tax preparation.

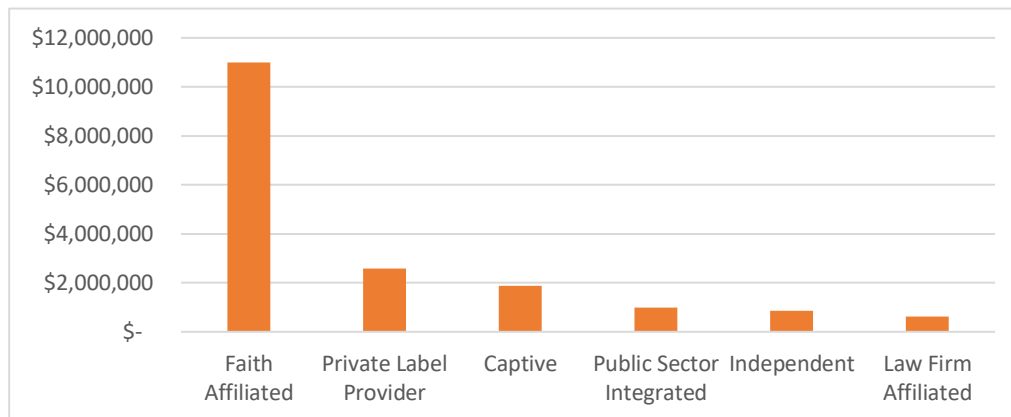
**Exhibit 3**



**Operating Budgets**

The median expense budget for the nonprofits that provide financial disclosure in the SNFSi database is \$1,388,032. Readers will note that the Faith Affiliated providers report higher median operating expenses. Several providers in this category are affiliated with very large nonprofits and do not report financials independently for the trust business.

**Exhibit 4**



## Capital Reserves

Median net assets across the industry's nonprofits in the SNFSi's database for 2021 are \$1.2 million. The median operating expense budget across the industry for 2021 is \$1.4 million. For organizations whose budgets and net assets (other than board or donor-restricted assets) are roughly matched, it is reasonable to conclude that there is cash on hand sufficient to sustain the organization for nearly a year.

## Beneficiary Asset Retention

Sponsors of pooled special needs trusts, who must be nonprofits, have choices about the disbursement of funds remaining in beneficiary accounts after the beneficiary has passed away. The Social Security language governing pooled special needs trusts requires that:

The trust provides that, to the extent that amounts remaining in the beneficiary's account upon the death of the beneficiary **are not retained by the trust**, the trust will pay to the State(s) from such remaining amounts in the account an amount equal to the total amount of medical assistance paid on behalf of the beneficiary under State Medicaid plan(s).

This means that PSNTs may have a policy to retain up to 100% of funds remaining in beneficiary accounts after the beneficiary has passed away. In situations where funds are not retained by the trust, and there are assets remaining in the trust, Medicaid will be repaid first, and assets remaining after Medicaid payback can be distributed to remainder beneficiaries. Medicaid payback applies only to beneficiary assets when the source of funds in the trust is the beneficiary.

Retention policies vary widely among PSNTs (from 0% to 100%). Retained funds can be understood as a revenue component for the PSNT provider. Across the industry, these funds are used in a variety of ways, including to support the organization itself and as an endowment or quasi-endowment for grantmaking and/or reserves.



### III. Looking Ahead

Pooled special needs trusts are an essential tool for accumulating, managing, and distributing funds for people with disabilities. The industry that provides them comprises many enterprises whose interests are not fully aligned. It is axiomatic that lack of alignment creates friction. Friction is a catalyst and can be an opportunity for positive forward motion.

We are watching closely to see how some of these elements evolve over time:

- Disclosure. While there is no requirement to disclose beneficiary fees publicly, there is no principled reason to withhold that information. That is also true for information about organizational scope and scale, data points most people use to make decisions about service providers.
- Financial strength. Clients have a reasonable expectation of financial sustainability from their fiduciaries, which means reserves sufficient to support disaster recovery or an unplanned organizational transition.
- Mission clarity. People interacting with an organization for the first time – and over time – deserve clarity about what it is and does now, what it sees as its mission, and how it fulfills that mission. Information gives people the tools they need to make decisions for themselves.

Over the past several years we have seen the creation of new PSNT's and the winding down of others, among other industry shifts. We look forward to seeing what comes next in 2022 and beyond.

## IV. Research and Analysis

Capital Motion LLC | Special Needs Financial Services Institute (SNFSi) is an independent research organization specializing in researching financial products for people with disabilities and the organizations that provide them. SNFSi conducts ongoing qualitative and quantitative assessments of nonprofit Pooled Special Needs Trust Administrators (PSNTs). This research began in 2020.

This research is expressed in industry trend reporting, benchmarking, and assessments of individual PSNTs. PSNT assessments include the SNFSi Rating and written Report. PSNT assessments are available by subscription. Ratings and assessments are annual, beginning August 1, 2021, and trend reporting is periodic.

SNFSi is committed to independent, objective research. We do not permit PSNTs to commission ratings from us nor do we charge PSNTs for ratings. Our research is commercialized by licensing and distributing intellectual property. Our research is produced for the benefit of institutions and individuals.

Capital Motion | SNFSi adheres to the [Insights Association Code of Standards](#) and Ethics for Marketing Research and Data Analytics.

### Research Methodology

SNFSi's universe for published research is PSNTs who are currently operating and accepting new beneficiaries, and not under review based on emerging information. **Currently this includes more than 100 national and regional providers.**

Data is collected continually. Ratings for 2021 became final on August 1, 2021. The 2021 deadline for self-reporting information to SNFSi for this ratings cycle was June 30, 2021.

Data is collected using both primary and secondary research. Resources include public financial filings, public-facing information (social media, websites) and industry and other relevant publications. Nonpublic information is considered for inclusion as a resource **only** when it is self-reported **and** the respondent intends to make the information public in SNFSi materials. Information reported to us by PSNTs is independently validated by SNFSi for inclusion as a resource.

SNFSi's data platform is Airtable. Specifications of this platform include:

- ISO/IEC 27001:2013 certification, SOC1, SOC2 compliance, US Servers
- Amazon Web Services (AWS) hosting infrastructure
  - World class, industry leading CLOUD services environment
  - Secure, reliable, and hardened global computing infrastructure
  - PCI, SOC1, SOC2, SOC3, HIPAA and FBI's Criminal Justice Information Services (CJIS) certified
  - ISO 9001/27001/27017/27018 compliant

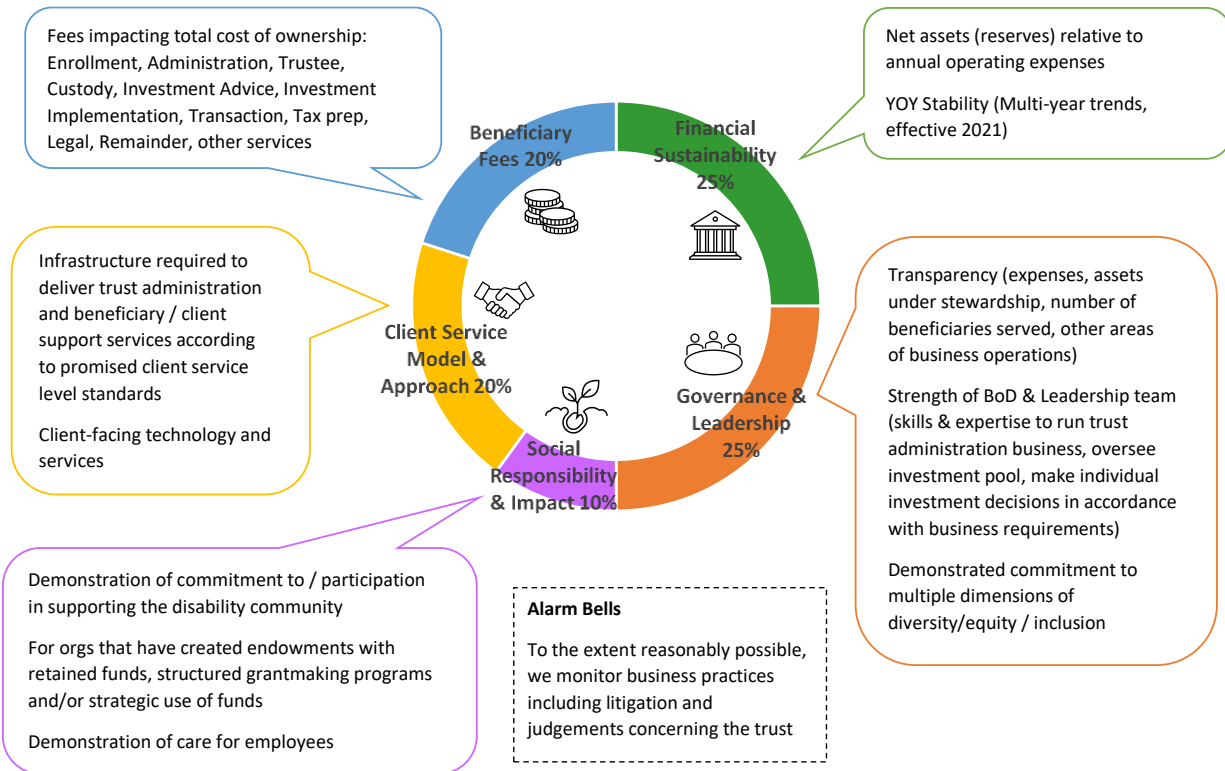
## Determining Ratings

SNFSi reviews five core criteria of business operations. Key metrics for each criterion are used for benchmarking and evaluation. The research process gathers data about each organization relative to each criterion and metric.

These criteria are:

1. Financial Sustainability
2. Governance & Leadership
3. Beneficiary Fees
4. Client Service Model & Approach
5. Social Responsibility & Impact

### Ex. 1: SNFSi Core Criteria and Metrics



## Ratings Model

Each organization is reviewed based on the five criteria and metrics, and each criterion is assigned a value of **-1, 0, 1**. Each criterion is weighted according to the core criteria benchmark weighting. The Result Total indicates the rating relative to the benchmark: **Above, Neutral, or Below**. Result totals that are a positive number are designated **Above**; result totals that are net 0 are designated **Neutral**, and negative totals are designated as **Below**.

Organizations can be designated as **Under Review** when a change at or new information about the organization requires further review.

### Ex. 1: SNFSi Core Criteria and Metrics Example Calculation

Criteria	Weighting	Value	Result
Financial Sustainability	25%	1	0.25
Governance & Leadership	25%	1	0.25
Client Service Model & Approach	20%	1	0.20
Beneficiary Fees	20%	1	0.20
Social Responsibility/Impact	10%	1	0.10
		<b>Total</b>	<b>1.00</b>

## Research Limitations

All research has limitations. We have identified the following limitations for this research work.

- There is a lack of prior published research on this industry, which means there is little historical data to use for evaluation of longitudinal effects and backward-looking benchmarking. SNFSi's research work can now be used to conduct trend and benchmarking analysis.
- Some data is self-reported. There can be inherent bias in self-reported data. To address this, SNFSi's research is multi-modal.
- There are presently processing delays at the IRS, a primary source for financial data. SNFSi continually updates the database as financial reporting is made public.

How to Submit information to SNFSi during data collection periods:

- Fax to 617-334-7475
- Call 800-760-4234, or
- Email to [snfsi@capitalmotionllc.com](mailto:snfsi@capitalmotionllc.com)
- SNFSi also provides a secure online submission form, available at [www.capitalmotionllc.com/snfsi](http://www.capitalmotionllc.com/snfsi)

