

Special Needs

Essentials 2018

Individuals who are referred to as “special needs” fall into a wide spectrum of people with physical, mental, and emotional disabilities. Because the spectrum of needs is so diverse, planning for the future can be a unique endeavor. For caregivers, providing for a child’s life-long needs can be a daunting task. Fortunately, combining a life insurance policy with special needs planning can create additional sources of cash while the parents are living as well as a substantial lump sum payment at the parents’ death.

Special Needs Planning Can Provide an Individual with Financial Security

- Financial resources to protect the individual for the rest of their life
- Protecting eligibility for government (and potentially private) benefits
- Identifying the succession of future caregivers
- Creating a plan that will provide for other family members

How to Plan for the Future of a Dependent with Special Needs

1. Look at the future in regards to future medical, educational, and housing needs for the person with special needs.
2. Work with an attorney with experience in special needs planning to create a plan and potentially set up a special needs trust and other supporting legal documents. The special needs trust may be funded or unfunded.
 - a. Special needs trusts can ensure that any distribution from the trust does not disqualify the dependent from receiving on-going government support like Medicaid and SSI.
 - b. Special needs trust can also provide on-going support for dependents that will not need, or qualify for, government benefits.
3. A life insurance policy might fit the need for any shortfall shown in a needs analysis. Then the trust can apply for insurance usually on the primary caregivers – often the parents.
4. At the death of the beneficiary with special needs, the remainder of the special needs trust can be paid to other beneficiaries, such as siblings.
5. Review beneficiary designations for any asset including those of other close friends and family members. This is important because all designations should be to the special needs trust and not the dependent. This includes items in a will.
6. A letter of intent may be written to outline the individual’s situation, needs, and desires as well as the parents’ thoughts and wishes for a dependent in the event of temporary or permanent absence of a primary caregiver.

Considerations

- Gifts and inheritances should be planned for in advance and directed to a Special Needs Trust to avoid a loss of access to government benefits based on income and assets. A direct gift or inheritance could cause the individual to lose critically important benefits.
- Life insurance provides liquidity to help equalize an inheritance for the benefit of all heirs.

Essentially

Since no one knows when they will die or become disabled, it is important to plan for a dependent with special needs. Coordination is key between family members, special needs attorney, and financial planners.

