



Guiding you through life.

CLIENT PROFILE

NEEDS ANALYSIS

Advanced Markets

Special Needs Beneficiaries

Planning For Your Loved Ones

CLIENT PROFILE

Status:	Caring for a loved one with special needs.
Concern:	Wants to make sure they provide an acceptable level of care for a loved one with special needs.

Situation

- Client provides care and/or financial support for someone with special needs.
- Client wishes to safeguard a loved one's current, or future, access to an acceptable level of care.
- Client may be concerned with preserving eligibility for government benefits and programs.

Gather the Facts

- Has the client analyzed his or her financial situation? What are their assets? Liabilities? Who else do they need to care for? How will their wealth be distributed?
- Has the client assessed the needs and costs for the special needs individual? Where will the loved one live? How will they be cared for? What are the associated costs? Things to consider include medications, education and training needs, living accommodations, home modifications for daily mobility, implementation and maintenance of adaptive equipment, specialized computers, and other aids for independent function.
- Has the client assessed the government benefits that the special needs individual receives or may receive in the future? What programs are they currently eligible for?
- Has the client then created a life care plan? Have they created an SNT? Have they funded the SNT?

Solution

- Working with his or her legal advisors, a client creates a Special Needs Trust (SNT), also called a Supplemental Needs Trust, to benefit a loved one with special needs.¹ The SNT can be funded with a variety of different assets, including cash, stocks, bonds and life insurance.
- A life insurance policy can be an effective liquidity tool to fund an SNT. Life insurance can provide for the shortfall needed to cover the support and services for the special needs child. Life insurance can also equalize an inheritance if there are other beneficiaries, such as other children.

Benefits of Using a Special Needs Trust With Life Insurance

- An SNT can provide directions for care for the loved one and also potentially protect the eligibility of government benefits.
- Provides the trust with funds to help replace the loss of a caregiver's services due to premature death.
- Allows for the completion of funding needs through the death benefit, regardless of the performance of other assets held in the trust.
- Creates liquidity to fund the trust, enhancing and/or supplementing benefits that may be provided under government programs.
- The death benefit proceeds are generally not subject to income tax².
- May ultimately provide liquidity to help equalize inheritances for the benefit of the special needs child and/or other heirs.
- Depending on the state, the life insurance policy proceeds may not be subject to the claims of creditors.

Considerations

- To preserve the special needs individual's access to government benefits, it is extremely important that funds and assets not be given to the loved one.
- The SNT, rather than the special needs individual, should be named as beneficiary for the share of the life insurance proceeds intended to benefit that person.
- The special needs individual should not hold withdrawal powers, often called Crummey powers, inside an irrevocable SNT that is funded with annual gifts.
- Care should be taken to re-title assets.
- The SNT should be drafted by an attorney familiar with special needs planning and strict rules must be followed as to the funding of the trust.
- An SNT would be considered part of the estate of the one who created it and funded it, unless it was an irrevocable SNT.

SUMMARY

- 1 Identify and meet with clients.
- 2 Ask the right questions and gather the facts.
- 3 Clients then needs to work with their attorney to create a plan and potentially set up an SNT. They also need to think about the cost of care.
- 4 Fact Finding tools: Use the Special Needs Fact Finder to come up with the "needs" for the special needs individual. The Fact Finder will also uncover actual resources available to cover those costs.
- 5 Using JH Solutions, a needs analysis can be completed. This analysis will uncover the shortfall needed for the planned care. This shortfall could then be covered by purchasing a life insurance policy.

For more information please contact your local John Hancock representative or call the Advanced Markets Group at 888-266-7498 option 3.

1. A Special Needs Trust (SNT) should be properly drafted by an attorney familiar with this type of trust and funded on a timely basis before applying for government benefits.
2. Life insurance death benefit proceeds are generally excludable from the beneficiary's gross income for income tax purposes. There are a few exceptions such as when a life insurance policy has been transferred for valuable consideration.

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