



PERSPECTIVE: For Families of Special Needs Children, Thoughtful Financial Planning Can Provide A Roadmap

on 07/23/2016

by Valerie Dugan

The anniversary of the Americans with Disabilities Act, on July 26, reminds us of the unique challenges families of children with special needs routinely face. One particular source of stress is financial: how will the special needs child be cared for in the event one or both parents pass away?

Wise investment and planning for the future is not only critical, but it also is much more complicated than for other families. Yet, planning carefully for future events can help alleviate some of the anxiety that parents of special needs children may feel. Planning for the care of their child can bring comfort.

Keeping in mind the goal – that is, to create an integrated financial and life strategy that allows the special needs child to maintain a sense of security, dignity and autonomy – here are some guidelines to consider:

“Wise investment and planning for the future is not only critical, but it also is much more complicated.”

1. **Government benefits.** Remember there are public benefits such as disability benefits, Supplemental Social Security Income (SSI) and Medicaid. These government benefits

may be available to provide food, shelter, health care and other living expenses for special needs children.

2. **Limited Conservatorship.** Established at age 18, a limited conservatorship can help protect the child from possible fraud and embezzlement. A trusted, qualified individual serves as a watchdog of sorts.
3. **Special Needs Trust.** This could be used to fund a child's specific needs, including special therapies and interventions, educational programs, caregivers, equipment, and so on. A Special Needs Trust could help ensure that the child remains eligible for government benefits, both federal and state. Protected from creditors and litigation, its assets can be managed in a variety of ways; like any trust, it can be funded with stock, real estate, or other assets, but typically is most easily managed with cash and liquid assets. Another instrument to fund the trust is life insurance. Your estate attorney can set up a trust.
4. **Life Insurance.** Life insurance policies can be transferred to a Special Needs Trust that designates the Trust as owner of the policy; thus, the death benefit of the policy is removed from the parents' estate. Clearly, there are numerous details that need to be considered; hence an experienced life insurance broker and estate attorney should be involved.
5. **Succession Plan.** This can be included in the Special Needs Trust for any assets remaining after the death of the special needs child.
6. **Letter of Intent.** This can help clarify the parents' wishes for their child's future care and living arrangements. It can outline such details as the child's preferences for everything from food to environment. It is the vehicle through which parents can express wishes for caring for their child and can pass on their legacy. A Letter of Intent is usually not legally binding, but it can guide conservators or other types of guardians.
7. **Independent Trustee.** An Independent Trustee or Licensed Professional Fiduciary can be retained to ensure that the provisions of any trust are carried out as intended. This person can also provide assistance with tax returns, court filings, trust distributions and other budgeting issues.
8. **Gifts and bequests.** Many people assume that a direct gift or bequest to their child is sufficient. While it may be straightforward, a special needs child may be incapable of managing the gifted assets. Such a gift, because of income limitations, could also render the child ineligible for government benefits.

Approached thoughtfully and comprehensively, financial planning for special needs children can provide for a lifetime of care. Knowing that their wishes and best intentions will be carried out may assuage some of the anxiety that many parents face.

Valerie B. Dugan, CFP, is a Senior Vice President and Financial Advisor with the Global Wealth Management Division of Morgan Stanley in Hartford. For more information, contact Valerie at 860-275-0779.