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MARKET MATTERS:

Financial planning for special needs children

By Joseph Matthews
Sunday, December 15, 2019

It is often said that raising a special needs child is one of life's most rewarding of experiences, but it also should be noted that it can be expensive, as well.

To provide the specialized care necessary for those who depend so much on us, there has to be a well-thought-out plan, and regular attention paid to that plan to ensure it is performing as needed.

Many people in the country don't have wills, but someone taking care of a child with special needs should consider one. You should consider ensuring your assets are left to a Special Needs Trust, and you should also specify a guardian and a trustee.

After the baby is born, and once the normal post-birth upheavals in the home have become normalized, such as getting something close to a good night's sleep, you may start to look forward, toward preschool and further schooling. You may consider establishing an Individualized Education Program (IEP).

You may want to explore the different types of 529 plans, which offer tax breaks, to ensure that you select one that fits your specific needs.

In general, tax breaks can provide a way to lessen the financial impact of caring for children with special medical needs. You can deduct unreimbursed medical expenses in an amount that exceeds 7.5 percent of your adjusted gross income when filing your federal income taxes. If your adjusted gross income is \$50,000, the threshold is \$3,750. If you had \$10,000 in medical expenses, you could deduct \$6,250. The deductible expenses not only include medicine and doctor bills, but also include medically required foods, mileage to and from health care visits and therapy supplies.

The child and dependent care credit is a tax break for paying someone to care for your child while working or looking for work. There is no age limit if the child is disabled. Because it's a credit rather than a deduction, it cuts your tax bill directly instead of just lowering your taxable income. The credit can be up to \$3,000 per dependent, to a maximum of \$6,000 for all dependents. Child care, after-school programs and day camp qualify for the credit. Keep good records and consult your accountant.

In addition to your own investments and financial efforts, you may want to explore possible areas of government assistance, such as Medicaid and Supplemental Security Income (SSI). It is possible that you will need to establish a Special Needs Trust, which includes naming a guardian and a trustee, to administer all monies and assets intended for the special needs child.

The trust can ensure the child can't access the money and won't lose the federal benefits. It is imperative to establish such a trust even if there are no current assets, since even small amounts of income for the child at a later date can be a disqualifier. The Special Needs Trust also serves to protect the beneficiary personally from legal judgments should they ever arise.

In fact, a properly executed and administered trust can be a major factor in protecting special needs children, especially from well-intentioned but uninformed gestures from friends or relatives, who want to establish bank accounts or other forms of financing in the child's name without knowing the impact that could have.

Another benefit of a Special Needs Trust is that if the special needs beneficiary is sued personally, assets in the trust may potentially be shielded from any resulting judgment.

Remember, when naming a special needs child as a beneficiary of a retirement plan, IRA, annuity, insurance policy or a TOD (transfer on death) account, the client and all members of the client's family should name the Special Needs Trust as the beneficiary — and not the special needs child directly.

As they become adults, it is possible, even likely in some instances, that there will need to be money to help them through life without their parents, which is another reason why parents should review and revise their life insurance accounts as necessary.

Many parents will need assistance in maneuvering their way through the maze of paperwork that will help them provide the best possible care for their special-needs children, including funding for items such as physical and occupational therapy, school reimbursements, and direct assistance when they become adults. In addition, parents will need family support, and attention paid to their own emotional needs, all of which are time consuming and should be prioritized early and revised as necessary.

Parents of special-needs children will be dealing on a daily basis with issues such as treatment options, life expectancy and quality of life, and the less time they spend bogged down with regulations and other requirements means more time they can spend with their child. In the end, the best assistance for all children is quality time with caring parents, and that at all times should be the first priority.

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