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Her Credo: Help, but First Do No Harm

By Glen Fest
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Mary Anne Ehlert gained experience in special-needs financial planning long before she made a career in the field.

Ehlert, a seasoned financial adviser with her own Chicago-based firm, grew up with a sister who suffered from severe cerebral palsy. She not only helped out with the day-to-day care needs for Marcia, but also came to understand how disabled people like her sister might be put in precarious financial situations because of bad planning.

One of the most serious instances, Ehlert has discovered as a certified planner, is when families — often with poor advice from general-practice financial planners — do harm while trying to help in the form of an inheritance, trust or cash gift.

"Their family thinks they're doing the right thing by opening a savings account, and putting all that money away for their child," says Ehlert, president of Ehlert Financial Group.

But a substantial financial gift to a disabled family member can put the person above the asset thresholds for state and federal assistance programs, potentially resulting in a loss of eligibility for crucial special-needs programs for health care, transit, housing or vocational benefits. Oftentimes, just having assets of more than $2,000 outside of a special-needs trust can disqualify someone who would otherwise be eligible for federal Medicaid or Supplemental Security Income (SSI) from the Social Security Administration.

Adding insult to financial injury, such problems often are set into motion by brokers or advisers who sell unsuitable trusts and annuities to families with special needs, perhaps not understanding arcane federal laws or without realizing that a disabled dependent is involved.

Ehlert became so alarmed by the problem that last year she decided to launch her own online training program in special-needs financial planning, targeting brokerages, banks and insurance companies. She says she already has shared the program, called Protected Tomorrows, with

10,000 financial planners, and she hopes to reach 30,000 to 50,000 more this year through webinars.

One of Ehlert's big pitches to banks is that since 20 percent of U.S. households include a disabled family member, there are likely multitudes of current customers who, unbeknownst to their bankers or advisers, require special-needs financial planning. They may, for example, need assets steered into allowable trust vehicles (which have been around since 1993) that let disabled family members maintain both a good standard of living and their eligibility for benefits.

Contrary to bankers' beliefs, she says, most families with special needs are not poor. In fact, many assume they aren't eligible for special-needs trusts due to their comfortable income, or feel they shouldn't accept public assistance in government programs. However, many crucial services (including educational programs) are not available outside of Medicaid. Those who enroll but lose eligibility through mishandled assets can face tough legal battles to regain access. "The local [Social Security] offices are not very accommodating in restoring benefits unless you do something affirmatively," says Neal Winston, a partner and disability advocate attorney with Moschella & Winston in Somerville, Mass.

Barbara Otto, CEO of Health & Disability Advocates, says her Chicago-based agency defends more than 4,000 disabled clients a year in Illinois against benefits cancellation, with many cases involving asset allocation mistakes by families and financial planners. "The challenge in all of this is the private sector doesn't have a lot of experience in thinking through these issues," Otto says.

Erik Strid, managing director of Strid Wealth Management Group of Wells Fargo Advisors in Berwyn, Pa., agrees that families often miss out on good advice. He took part in Ehlert's instructional program last year, and is working with a couple that is trying to get SSI benefits for their live-in adult daughter with cerebral palsy. The couple had assumed she was ineligible for benefits based on their income, and were unaware of special-needs trusts that could segregate her assets. "From what I've seen, [families] are lost," says Strid. "It's such a mountain of red tape and misinformation."

Medicaid's bureaucracy is legendary, particularly since the federal government gives states latitude in how the programs function locally. This often means different rules on eligibility limits or disbursement allowances from one state to another-which can be confusing for financial planners. One gray area concerns the beneficiaries of a special-needs trust after a disabled person's death; some states have strict formulas for payback, and others may not even require it, so this adds elements of asset protection strategies that must be taken into account by financial planners and their clients.

Ehlert says her sister, who died in 1995, never experienced trouble as a result of her family's financial decisions — but it required a mountain of study and preparation. Ehlert hopes her program can open eyes to financial blind spots that have brought hardship to other families

"If somebody wants to put $50,000 away for a grandchild, shouldn't the banker ask the question, is there anybody in your family who has a special need? Maybe you shouldn't be doing this for them," says Ehlert. "Maybe we can send you to somebody or refer you to somebody who can help you do it properly."