



FINANCIAL & TAX PLANNING

TEN “AH-HA” SPECIAL NEEDS PLANNING TIPS

BY MARY ANNE EHLERT, CFP®

In my journey as a sister, mother and financial professional for decades, I have seen special needs planning handled in many distinct ways – both good and bad. Mainly, I have observed families struggling with some very common issues. In an effort to smooth the path for you, I would like to share a few of the most important aspects of planning I have learned along the way. Each of them are points that, when first discovered, became “ah-ha” moments for me. I hope you find them useful as you plan for the future of your loved one.

1 Be conscious of the \$2,000 asset limit.

A person with disabilities cannot have assets that exceed specific amounts without jeopardizing eligibility for government benefits. Losing government benefits would be a big mistake even for many higher net worth families. Without this government benefit approval, the person with disabilities will not be able to enter into many public programs that can be critical. We call it the “golden ticket.” It allows the person with special needs access to services that will support them.

What are the asset limits? A person with a disability can have no more than \$2,000 in cash. This “cash” includes checking and savings accounts, stocks and bonds, savings bonds, and permanent life insurance. A person can also own a home, a car and have a prepaid funeral. That is it. Be conscious of this limit as the rules are rigorously applied.

2 Do not leave inheritance to other family members with your fingers crossed.

It is a bad idea to disinherit your person with disability to avoid the \$2,000 limit. Giving money to a sibling for future care also is not a sound planning technique since other issues may arise which may include sibling rivalry, liability, divorce or misuse of funds. The correct answer can be found in creating a special needs trust in which the assets are designated specifically to help the family member with the disability. In this way, you can ensure that the right care and programs are funded into the future.

3 Use special care with gifts from well-intentioned relatives.

Gifts for birthdays or other occasions should go to a special needs trust and not directly to the person with disabilities. The parents or guardian must have a firm grasp of these requirements as well as the ramifications of maintaining the proper asset limit. Some of these gifts can seem innocent enough but can have serious consequences. For example, imagine you are celebrating a graduation of the person with the disability from a special program. Everyone is so excited about the graduation and wants to provide a gift to recognize the accomplishment. If those gifts are paid directly to the graduate, future programs could be jeopardized due to lack of

access to government benefits. That was definitely not the intended purpose of the gift.

4 Be sure to have a will.

Having an updated will is crucial. If a person dies intestate, the assets will go directly to relatives and perhaps directly to the person with a disability, creating government benefit eligibility issues. Review your will every few years and make sure it matches your vision for the child’s future. Also check beneficiaries on all assets to make sure those also do not pay directly to the person with the disability, but rather are payable to a Special Needs Trust.

5 Get a properly drafted Special Needs Trust.

It is critical to have a properly drafted special needs trust. It is the only way to provide assets for the benefit of a person with a disability without creating benefit eligibility issues. The trust needs to be drafted by a competent, qualified attorney who is experienced in special needs legal work. Organizations you may contact to find an attorney are National Academy of Elder Law Attorneys, Special Needs Alliance, and the Academy of Special Needs Planners. You can also find a list of attorneys at www.protectedtomorrows.com.

6 Create a letter of intent.

The letter of intent conveys everything you know about your child to future caregivers regarding a wide variety of matters such as healthcare, religion, school and residential, as well as the day-to-day details that make life easier and more enjoyable. This document is an invaluable tool for knowing what is important and what it takes for the person with a disability to be happy. Even the smallest things can sometimes be critical, depending upon the person, so being as complete as possible is worth the effort. Items such as important care giving tips, contact information for their friends, and education/recreation programs are examples of important information often forgotten. It is essential that this document be accessible to future caregivers. It is not a good idea to store it in a safety deposit box. Developing such a letter and ensuring it gets into the right hands is a vital part of your family member's future happiness.

7 Take care to select the proper guardian / trustee.

Parents often choose the same person to be both the guardian and the trustee. Grandma might know your child very well, but she may not have the financial expertise to manage the assets of a trust. By first looking at these functions as two roles, you not only focus on the specific skills needed for each one, but you will consider what it will take to make your child happy. If you do decide on two different people for these roles you have thus created a larger support network for the child. Of course, if it is the right person, one individual could fill both roles. I tend to think of these roles as "the money people" (trustees) and "the care people" (guardians). It sometimes helps to think about them that way rather than focusing on the legal terms.

8 Include the person with disabilities in the planning process.

On a selective basis, it can be important to include the person with a disability in



the planning process. By including them, they begin to understand that you want to make sure they are always safe and happy. It also helps them learn to take charge of their lives when possible. I have also found this to be a fun family project, especially when we involve computers and pictures to create and store the information.

9 Take note of the importance of the age of majority, 18

Eighteen is a critical age for individuals who have special needs. Start early to plan for this important transition because so much can change if it is not well arranged. Consider the options of powers of attorney versus guardianship/conservatorship to ensure appropriate protections are in place. Also, think about how you will continue to communicate with the school, employer, medical professionals and other contacts you have historically worked with over the years.

10 Don't think you have to do it all on your own.

These types of situations can be challenging; however with proper planning and the right advice you can complete your journey safely. There is outstanding help available if you are willing to reach

out for it. Build a team of experts to support the planning process, and give you guidance, confidence and peace of mind. People you might consider for your team:

- *Social Worker*
- *Financial Planner*
- *Special Needs Attorney*
- *Government Benefits specialist*
- *School Counselor*

Once you have that team in place, your "ah-ha" moments will turn into an "all done" instant as you complete the proper planning needed for your loved one on this special journey. •

ABOUT THE AUTHOR:



Mary Anne Ehlert is the founder and president of Protected Tomorrows,[®] Inc., the leader in enhancing the lives of families with members who have special needs. By guiding families through its comprehensive, proprietary planning process,

Protected Tomorrows helps ensure the well-being of a loved one by creating a Future Care Plan.[™] Through their work with clients and the families' advisors, Protected Tomorrows addresses many concerns of families with special needs such as: future care funding, government benefits, legal considerations, residential alternatives, employment opportunities, recreational choices, education options and family communication. For questions, contact info@protectedtomorrows.com or visit www.protectedtomorrows.com.