

SPECIAL-NEEDS PRODUCTS

Key Elements of a Special-Needs Plan

There are many moving parts to consider as you build a detailed plan.



Did you know that six percent of children in this country, approximately four million kids, have some form of disability? Clients who face the challenges of raising a special-needs child also face the unique challenge of planning for that child's financial future without jeopardizing their government entitlements. No matter what age a parent reaches, he will always consider himself as having a child.

As you work with these families, realize that each plan you create should be tailored specifically to that individual's exact circumstances and needs. Every child is unique; you cannot typecast a child to a generic plan. However, each plan consists of the same fundamental elements that become the cornerstones of that specific plan. There is no lease on life. No matter the child's age, the planning needs to be in place and needs to be secure. Below are some core elements to help secure that child's future.

■ **Supplemental Needs Trust**

A Supplemental Needs Trust, also known as a Special Needs Trust, is a legal entity that allows for assets to be for the benefit of, but is not owned by, a disabled individual. The unique feature of this type of trust is that the assets that are owned by the trust are to supplement, not to supplant, the needs of the individual it is benefiting. This tool is a crucial element of the disabled individual's financial plan for the simple reason that the assets benefiting the disabled individual are outside their ownership; therefore, they will not negate their eligibility to federal benefits.

■ **Life Insurance**

Most Supplemental Needs Trusts are funded in large part with life insurance. In the macro-picture, there are two major types of life insurance—term life insurance, and some form of permanent life insurance.

- Term life insurance is a temporary solution that provides valuable coverage for a limited period of time with premiums guaranteed for 10, 15, 20, 25, or even 30 years. This is a simple alternative for a family that needs coverage right away, but their cash flow is constrained at the moment.
- Permanent life insurance, whether individual or dual coverage, provides lifelong benefits with the added perk of potentially accumulating some amount of equity within the policy. A "survivorship" or "second to die" permanent life policy is another alternative that can create an immediate asset to fund the Special Needs Trust when the much needed capital is not available. The distinct feature of a survivorship permanent life insurance policy is that one policy insures two people and the proceeds of that policy are paid out upon the death of the second person when funds for the disabled individual will be vitally needed. Permanent survivorship life insurance in most instances is less expensive than individual permanent plans.

■ **Guardianship and Conservatorship**
Guardianship and Conservatorship are legal vehicles that grant

decision-making power to a person for another person who is found to be incapable of making decisions on his own. There are many types of guardianships and conservatorships. Each specific kind is determined by different factors that can include the age of the incapacitated individual, which power is granted, ("guardianship of a person," "guardian of property" or "guardianship of an estate"), and to which extent the power is granted, general or limited.

Another important piece to consider as part of the legal strategy is a letter of intent; however, this is not a binding document. It is a "snapshot" in time for the child. The letter is typically written by the child's caregiver documenting the child's likes, dislikes and daily routine. One word of caution with letters of intent: Keep them fresh and update them frequently—things do change.

There are many moving parts that must be considered when establishing the comprehensive details of each individual plan for a disabled person. Attorneys, life insurance agents, and financial planners who specialize in the areas of special needs can assist in providing the guidance and expertise needed to establish the detailed plan that is critical to ensuring a future of financial stability and fulfillment for a disabled individual. □

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