Traditional financial planning is a broad topic that includes both simple and highly complicated topics. It is not surprising many people chose to enlist the services of a financial planner to help develop and maintain their personal financial plan.
For many individuals and families, the traditional financial planning process is a time-tested blueprint which solves for most, if not all, financial planning needs. However, on occasion, individuals and families require a higher level of financial planning care.

One such occasion is the financial planning required for individuals with special needs and their families. For these families, many of the same financial planning needs exist: retirement, insurance, investments, taxes, estate planning, etc. However, planning for a family member with special needs often requires additional care and consideration.

Planning Starts at Birth

For families whose child has a known disability at birth, it is never too early to start planning. Considerations should be given to everything from medical expenses, to specialized child care, to applying for government aid.

Often times, the type of disability will determine a family’s course of action. For example, the family of a child born with total hearing loss will likely need a different customized financial plan than a family with a child born with Down syndrome.

Beginning the financial planning at birth is not an easy step for many families. Couple the usual childbirth stresses with a disabled infant, and the planning can quickly take a back seat. However, a delay in planning could have negative financial consequences that should be avoided if possible.
Government Assistance

Some families are eligible for government benefits immediately upon the birth of a special needs child. In particular, means-tested programs such as SSI (Supplemental Security Income), Medicaid, and SNAP (Formerly Food Stamps), may be available to those in need. In addition, families with incomes that exclude them from Medicaid who cannot afford private insurance may be eligible for the their state’s Children’s Health Insurance Program, which is available in some form or fashion in all 50 states. SSI may continue beyond childhood if, upon the child’s 18th birthday, he or she continues to qualify for the benefit.

Adults with disabilities that occur before age 22 may be eligible for SSDI (Social Security Disability Insurance) if they have a parent who is deceased or collecting Social Security. Applying for Medicare may be an option after two years of SSDI. These benefits are helpful because they are not “means-tested.”

Families should investigate all government assistance programs they may be eligible for and enlist the services of an attorney experienced in guiding beneficiaries and their families through the application process.

Planning For Multiple Lifetimes

One of the most pressing concerns for parents of a special needs child is the need to potentially stretch out the parents’ resources over multiple lifetimes. This is especially a concern for parents whose children will never live a fully independent life due to their disability. Common questions include, “Who will care for my child when I am gone or no longer capable?” and, “Will my child be able to maintain the lifestyle he or she is accustomed to when I am no longer here?” Fortunately, there are financial planning techniques that can help alleviate these concerns.

First, a good long-term plan begins with a good estate plan. Families should reach out to an attorney experienced in drafting traditional estate planning documents such as wills and various power of attorney documents. The attorney should also be well-versed in specialized documents such as special needs trusts. It is also helpful when the chosen attorney has experience helping clients apply for government benefits, is experienced with care facility contracts, and can help the family with processes such as obtaining guardianship for disabled individuals.

A Team Approach

A qualified wealth advisor can help you articulate the long-term needs of your special needs child, the needs of any other children and your own lifetime needs. These needs should be used to guide your priorities. Once those priorities are well established, your advisor can work with your attorney to ensure any legal considerations are incorporated into your overall plan.
Some topics that should be discussed in the preliminary estate and longevity planning phase include, but not limited to:

- Guardianship/Power of Attorney/Conservatorship
- Special Needs Trusts
- ABLE 529A Accounts
- Life Insurance
- Beneficiary Designation and Review

**Selecting a Guardian**

For anyone with children, selecting a guardian is an important decision. For parents of disabled children, the choice can be agonizing. The ideal guardian should be someone who knows your child well, who understands your child’s day-to-day needs, who willingly accepts and understands the responsibility associated with the role, and whose life expectancy is similar or preferably longer than your child’s, especially if guardianship could potentially last into your child’s adulthood.

Not every disabled individual will need a guardian. However, if the individual’s ability to manage finances is impaired, a power of attorney may be granted by the disabled individual, or a court appointed conservatorship may be established on behalf of the disabled individual. Although the majority of these roles are filled by individuals, most states have non-profit organizations that can fill the role of guardian if no friends or family members are deemed suitable by the family of the disabled individual.

**Letter of Instruction**

Regardless of who the selected guardian is, it is wise to include a letter of instruction as part of the estate plan. A letter of instruction provides the potential guardian instructions from the parents that can help the guardian support the beneficiary in a way the beneficiary is accustomed to being supported. It also provides continuity to the special needs individual if the guardian would need to assume responsibility. The document should also provide the guardian and other loved ones with instructions for nurturing and encouraging the individual’s hobbies and talents. If the family is working with a wealth advisor, it is a wise to share the letter of instruction with the advisor so he or she may gain a better understanding of the beneficiary’s care needs beyond dollars and cents.

**Special Needs Trusts**

A common starting place for a family's long-term financial plan is to establish a Special Needs Trust (SNT). Special Needs Trusts are legal entities for the benefit of a special needs individual that hold and manage assets without disqualifying the beneficiary from receiving valuable means-tested government benefits.
The SNT is overseen by a trustee, or multiple trustees, who manages the trust and provides support for qualified expenses to the beneficiary at the sole discretion of the trustee. As with selection of a guardian, the selection of a trustee for the SNT is an important decision. It is advised that a trustee for the SNT knows the disabled child well, has the capacity to serve, and will use prudent judgement.

One option is to engage a corporate trustee to work alongside an individual who knows the beneficiary. This relieves some of the burden from the individual to manage investments, filings and other trust related responsibilities, while also ensuring that one trustee has intimate knowledge of the beneficiary and his or her needs. This approach essentially establishes a system of checks and balances on behalf of the beneficiary.

Special Needs trusts may be created during the life of the parent or may be established as Testamentary Trusts, which become effective upon the death of the parent. If parents expect their disabled child to receive any inheritances, gifts, settlements or other assets that, if held in their name, would disqualify them from their means-tested benefits, then it is wise to establish an SNT immediately. If the trust will only receive assets at the death of a parent, a Testamentary Trust is sufficient.

**ABLE Plans**

More recently, another avenue was created to help special needs individuals and their families save money, supplement their expenses and plan for the future. The “Stephen Beck Jr. Achieving a Better Life Act” (ABLE) was signed into law in 2014, and established a savings and investing programs under tax code section 529A for disabled individuals. Click to view previous article

This program allows Individuals and families to save up to $14,000 per year in tax-free investment accounts, which may be used for the qualified expenses. When used properly, the “529A” accounts prevent funds from being counted as a resource for means-testing.

In 2016, individual states and at least one consortium of states rolled out 529A accounts, and they are now eligible for funding for most disabled individuals. Individuals with SNTs may also have a 529A account.

Some drawbacks to the ABLE plan are the limited annual funding amounts and the possible loss of some government benefits if the account surpasses $100,000 in total value. In addition, ABLE accounts are subject to a Medicaid Payback provision, which, in all likelihood, would drain the ABLE account at death before other beneficiaries are paid out. ABLE plans established for special needs beneficiaries who are not collecting Medicaid will not be subject to a payback, and beneficiaries are eligible to receive the funds at death.

The use of an ABLE 529 plan should be well considered, and prior to using a particular state’s plan, multiple plans should be researched. The needs of both the beneficiary and the family should be considered prior to establishing such a plan. For instance, are tax deductions available for using your home state’s plan? Does the plan have a debit card for paying bills? The National ABLE Resource Center,
a nonprofit specializing in educating beneficiaries and their families about ABLE plans is a resource and a great starting point: http://www.ablenrc.org/.

**Life Insurance**

Creating an estate may be the best option for some families to leave resources behind for their disabled loved ones. Life insurance is another helpful estate tool due to the relatively low cost of setting it up and maintaining it, as well as the certainty of the benefit it will provide the disabled individual.

While any policy may provide a benefit, permanent whole life insurance is often the most desirable policy type due to a lifetime of coverage without expiration for the insured. Though a great planning tool for many, term life insurance is usually not as desirable as a funding mechanism in special needs planning due to the possible termination of the insurance before the death of the insured. The type and amount of insurance will vary based on a family’s overall financial plan, existing coverage and special needs planning requirements.

**Beneficiary Designations**

Properly assigning and regularly reviewing beneficiary designations is a key component to developing a structurally sound special needs financial plan. Under no circumstances should a disabled individual receiving means-tested benefits be named as a direct beneficiary for IRAs, 401(k)s, annuities, life insurance or any other account. For individuals with an SNT, the trust may be named as a beneficiary, but never the individual directly. Beneficiary review is a simple process; however, it should be discussed in depth to ensure all tax planning, special needs planning, and estate planning consequences are understood before executing.

**Conclusion**

While in many ways similar to traditional financial planning, special needs planning is anything but traditional. While solving for traditional financial planning needs, financial planners and their clients need to take extra steps to ensure assets stretch over longer periods of time, develop estate plans through a different lens, and follow certain rules or risk losing valuable benefits. Planning early and often is critical, as early planning can help relieve the risk of life events catching a family off guard. Get your “team” in place early. This includes your family, friends, attorneys, wealth advisors and any other stakeholder in your child’s wellbeing. Keep your plan updated and fresh as time passes. It is impossible to know what kind of ride life has in store for us, but with proper planning, we can smooth out the bumps and avoid the potholes.

For more information about how Mariner Wealth Advisors can help with special needs planning, please contact us.
Providing Planning for Those with Special Needs

FOR MORE INFORMATION
CALL: 866-346-7265
CLICK: www.marinerwealthadvisors.com

Sources:
National ABLE Resource Center http://www.ablenrc.org/

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