

Financial Products & Instruments Used in Planning

When you are a family who has a child/children with special needs, you will find there are many considerations available to help you complete your vision for the benefit of the child/children. The process can seem overwhelming, but it's all about giving a "quality of life". It is important to remember all families and their situations are different and you will build the plan which works best for your family's needs and budget.

Funding a Special Needs Trust

Life Insurance

The simplest way to fund your Special Needs Trust (SNT) is to purchase life insurance. Life insurance uses the leverage of your premium payment to provide a much larger benefit for your child/children (through the SNT) when you pass away. In many cases a child/children will outlive their parent by many decades, so the need is a permanent need. A permanent life insurance policy should be used versus a term insurance policy. Depending on the family's budget, the life insurance policy could be a whole life policy or a universal life policy on one of the parent's lives or it could be a single policy on both parent's lives (sometimes called a survivorship policy or second to die policy where the benefits are received at the second death). Insurance policies can be specifically designed to create assets, supplement income, be minimally funded, self complete or add cash for retirement. Term is not recommended for funding a special needs trust as a term policy is issued for a specific period of time which you may outlive.



This section was prepared by Karen L. Starbowski who is a Chartered Special Needs Consultant (ChSNC) and SpecialCare Team Leader for MassMutual Arizona. The MassMutual Arizona SpecialCare Planning Team's mission is to help make a positive difference in the lives of individuals with special needs, their caregivers and other family members. The SpecialCare Planning Team has developed a unique network of professionals within the Special Needs community. This devoted network assists families, not only with their financial planning, but also provides a wide range of expertise to fit the diverse concerns of Special Needs families.

It is also important to ensure the ownership of the policy will never revert to the child/children with special needs. This too would interfere with government benefits because it would be deemed an asset. Beneficiary designations can specify which portion goes to your child/children with special needs and your typical child/children.

It is important to remember to make your Special Needs Trust the beneficiary of your life insurance policy. Benefits going directly to a child/children with special needs would conflict with their government provided benefits.

Retirement/401k plans

If you are still working, it's important to add contingent beneficiaries to your plan. Typically, an employee has their spouse as their beneficiary. Should something happen to the two of you, your retirement plan would go to your next surviving family members. If this is a child/children with special needs, it will conflict with their government provided benefits. The share of your retirement plan you wish to be left to your child/children with special needs should be assigned to your Special Needs Trust. Using retirement and 401k investments allow for tax favored accumulation which could benefit your child/children with special needs or your retirement.

Other Instruments Used in Planning

Disability Insurance

Disability Insurance is used to protect a person's income and could play a role in your family's planning. What would happen if you or your spouse were unable to work because of health or injury? Disability insurance would allow you to maintain your lifestyle and not disrupt the planning put in place for your child/children with special needs. Disability insurance can be provided by an employer and the benefit would be taxable. A personally owned disability insurance plan could supplement an employer plan or be standalone and its benefits are non-taxable.

Long Term Care Insurance

Long Term care insurance protects your assets by paying for some or all of your care should you need it (at any age if the policy is in place). Long Term care insurance protects your retirement income and could play a role in protecting the plans you have put in place for the benefit of your child/children too. Depending on the severity of the disability, it may be possible to obtain a policy on the child/children as well.

Annuities

Annuities can be used to provide a guaranteed income stream for the child/children. Like life insurance, it's very important to make sure it's titled properly as to not interfere with government benefits. (Titling: who is the owner and the beneficiary)

Government Benefits

When planning, it is also important to take the government benefits (SSI/CDB) your child/children qualifies for into consideration. These benefits could reduce the ultimate lifetime dollar amount needed for your child/children.



There are many financial products and instruments for you to use when planning for your child/children with special needs. It's important to work with your advisors (financial planners and attorneys) to understand what is available and what will work best to complete your planning goals.