Special Needs Trusts

Special needs planning involves comprehensive financial planning for the special needs person including income, tax, insurance and retirement planning, as well as estate planning. One of the cornerstones of special needs planning is the creation of a "third party" supplemental or Special Needs Trust.

The primary objectives of a special needs trust include:

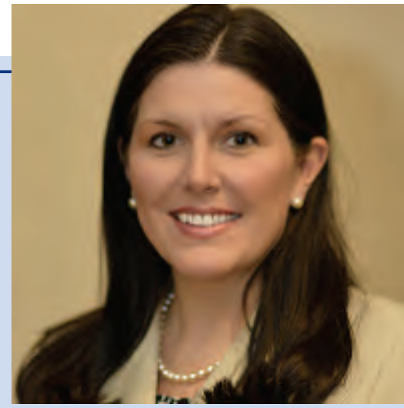
Protect the assets left to a special needs beneficiary from predators and creditors.

Provide additional income to facilitate a better quality of life.

Prevent the loss of government benefits, including Supplemental Social Security (SSI) and Medicaid.

Plan for the ultimate future avoiding a burden on siblings once the primary caregivers are no longer able to take care of the person with autism.

State and federal benefits may help cover the basics – food, shelter, and routine medical care – but not specialized treatments. "Extras" like educational programs, therapy equipment or home-modifications are not usually covered.



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As a Board member of Community Hope, The Overlook Medical Center Auxiliary and Chairwoman of The Autism Speaks Fall Classic at Baltusrol, Anne is actively involved in her community.

Expenses to plan for:

Medical, dental, or surgical expenses not covered by government benefits

Enrichment programs for educational or recreational experiences

Psychological or behavioral counseling and support

Personal caregivers

Transportation for medical and recreational purposes

Entertainment such as magazines, movies, classes and gym memberships

Physical therapy not covered by insurance or benefits

Supplemental Special Needs Trust

A special needs trust helps plan for individualized care over your child's lifetime while protecting his or her eligibility for public benefits.

To qualify for benefits, there is a limit to the assets your child can own, usually less than $2,000. A gift from a well-meaning relative may jeopardize your child's eligibility for benefits, even if the gift is not cash.

This is where a special needs trust (SNT) comes in. A SNT is a legal arrangement that is set up for the benefit of the child, but is not owned by the child. You then can set aside money, property – even life insurance benefits – to help prepare for current and future expenses.

The assets in a SNT will likely not be enough to fund your child's long-term financial needs. But, combined with any benefit programs, these funds can be stretched to enrich his or her quality of life.

What You Need to Get Started:

Choose an experienced attorney to prepare the Special Needs trust document.

Once I hired an attorney to set up my special needs trust, I felt a lot better about my son's financial future. I had somewhere to place my son's monetary gifts. Also, my mother wanted to leave my son a big inheritance because she knew he was going to have difficulty living on his own in the future. I feel a lot less anxious because I know the gifts will be used to my son's benefit in the future and he wouldn't lose his eligibility for government benefits.

Select a Trustee to manage the investments of the trust, administration, monitor benefits and to receive and monitor distribution requests from the trust.

Complete a Letter of Intent. This is a vehicle through which parents communicate their instructions regarding their disabled beneficiary's future.

Where Do I Get the Money to Fund the Special Needs Trust?

Assets you already own (you may choose to leverage with life insurance).

Life insurance can be the most cost effective way to leverage your assets. Your death benefit will be income and estate tax free directing the entire sum to the trust.

Your estate. Revise your will to include the Special Needs Trust as a beneficiary instead of gifting direct to that child.

Trust Document Explained:

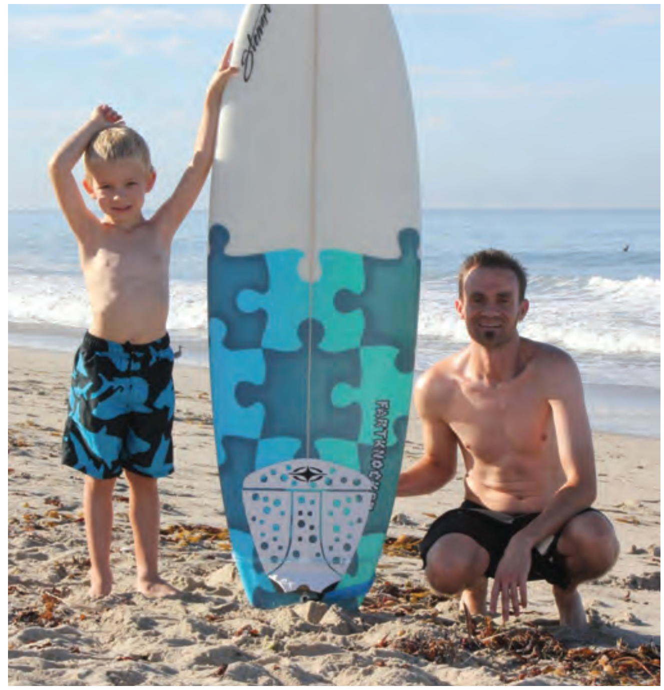
Contains a special provision stating that assets of the trust are to be used to supplement, not replace, any benefits your child is receiving

Can be simple or complex depending on the kind of assets in the trust

Avoids family conflicts by detailing when and how assets can be withdrawn

Can protect the child's inheritance from creditors

Should be prepared by an attorney familiar with special needs documents



Letter of Intent Explained

You know your child best. The Letter of Intent is not a legal document, but it will help ensure that the courts and others involved in the process will know more about him or her in order to make decisions.

The Letter should **describe your son or daughter's history**, current status and your hopes for his or her future.

You might want to **start the letter now** and add to it as years go by, updating it when information about your child changes.

It is also a good idea to **involve your child** to the best of his or her ability when writing the letter, so that the letter truly "presents" and represents your child. The letter is then ready at any moment to be used by all the individuals who will be involved in caring for your son or daughter.

Other things to consider:

Even **unearned income** – such as interest on a savings account – may cause your son or daughter to lose some, or all, of their public benefits.

Expenditures from the SNT need to be made for the sole benefit of the child.

Trustees should make any **payments directly to a third party** vendor or service provider – not to the child.

The trust, not the child, should be named as the beneficiary on your life insurance, retirement funds, annuities, deeds, etc. Take some time to review and revise all your financial beneficiaries and documents carefully.

Having a letter of intent written up about my daughter made me feel better in a lot of ways. I was able to relax, a little, knowing that all of my daughter routines, likes and dislikes, medical information, and family history are documented in case something happens.

Planning Note: *Many financial planners recommend survivorship life insurance or a second-to-die life insurance policy for funding of the SNT. Due to the lower cost of the policy, the funds become available upon the death of the second insured when they are most likely to be needed because all caregivers are deceased. Underwriting of a second to die policy is less strict since two lives are being insured. These types of policies are available as either whole or universal life and estate taxes can be delayed until both parties/caregivers pass away.*

Helpful Links

Special Needs Alliance
(nonprofit organization helping those with special needs)

Writing a Memorandum of Intent for Your Child with Special Needs
(from **SpecialNeedsAnswers.com**)

Social Security's Supplemental Security Income information

Social Security's Disability Information