



Protecting the Financial Future of your Special Needs Child

Jennifer R. Figurelli, CTFA
Co-Founder- Andrew Hill Investment Advisors, Inc.
ResponsibleAdvisors.com

One of the biggest concerns faced by parents of a child with a developmental disability is how the child will be cared for when the parents are no longer able to provide care or supervision, particularly following their own death or disability.

These concerns are justified. According to a 2008 survey by The Hartford Financial Services Group, approximately 62% of parents have no long-term care plan in place for their special-needs child. Among those parents who do have written plans in place, 50% plan to leave money directly to their child and the other 50% have named their child as a beneficiary.

Unfortunately, many parents do not realize that leaving an inheritance directly to the child will disqualify their child from receiving government benefits and services.

A Special Needs Trust (“SNT”) will preserve the quality of life for the child, preserve the child’s eligibility for needs-based public benefits (Supplemental Security Income (“SSI”) and Medicaid) and will provide for centralized management of the assets by a fiduciary/trustee.

Parents should review all assets and beneficiary designations to make sure their child is not receiving the assets directly. Typical assets include, but are not limited to, life insurance benefits, savings bonds, retirement plan benefits, and inheritances, gifts or bequests.

Parents also should coordinate their estate plan with other family members’ estate plans. They can create a SNT which can be structured to receive gifts, bequests and inheritances from other relatives and friends. This also avoids the other family members from having to create separate SNTs.

Selecting an appropriate Trustee for the SNT is another major decision. The Trustee of the SNT must have the willingness to serve, be familiar with the child’s needs and avoid any conflicts of interest. The Trustee also must be familiar with the government rules of SSI and Medicaid, and

be expected to communicate on a regular basis with the family members and other professionals, such as an advisor, a guardian/conservator and a life care coordinator.

Most family members want to be the Trustee of a SNT since they best know the needs of their child or loved one. The reality is that family members are often inexperienced and unprepared for the responsibilities of a Trustee, such as, fiduciary accounting, court reporting, investment decisions/management, and dealing with government agencies. Parents are often susceptible to being charged with conflict of interest if they use the trust fund to satisfy their own duty to support the child.

The solution to this dilemma is to name a Corporate Trustee to manage the trust, and name a family member to act as the Special Trustee. The Special Trustee can have the authority to make distribution decisions for the child, oversee the administration and investment management, and replace the Corporate Trustee, for whatever reason.

There are situations where a SNT may not be the best option. If the anticipated inheritance to the child is less than \$250,000, setting up a SNT may be cost-prohibitive. In this situation, families can explore the possibilities of joining a pooled trust that is managed by a non-profit organization that is experienced in serving disabled people and their families. The Academy of Special Needs Planners provides a resource of pooled trusts that exist nationwide at http://www.specialneedsanswers.com/resources/directory_of_pooled_trusts.asp

Planning for the financial future of a special needs child requires a careful choice of professionals. These professionals may include an attorney who is familiar with special needs trusts and government benefits, a medical professional who is familiar with the child's health care needs, and a financial professional who has experience in special needs planning.

It is never too early to start planning for your child's future. By planning your estate carefully, you will have provided for the best quality of life for your child.

(Jennifer R. Figurelli, CTFA is a Co-Founder of Andrew Hill Investment Advisors, Inc. in Naples. She leads the firm's Financial Concierge Services division, which offers planning services to special needs families.)