

## Special Needs Money

by vcmorris - Thursday, June 03, 2010

<http://thethinpinkline.com/2010/06/03/special-needs-money/>

Children all need and require so much immediate loving care. But children with special needs require so much more. In addition to managing their health care, parents must also battle the social services maze. Those realities often make it difficult for parents of differently abled children to find time to plan their finances.

Parents of special needs children are entitled to benefits and programs even if you have financial resources. Long-term financial planning is essential to make sure your child gets benefits when you can't care for them yourself. You are able to deduct non-reimbursed medical expenses (as is anyone after costs exceed 7.5% of adjusted gross income.) School for your special needs child is subsidized under the Individuals with Disabilities Education Act until age 18 in some states but until age 21 in most states.

If you're the parent of a differently abled child, it's important to know your rights and consult a lawyer or advocate. Estate planning is essential because standard strategies could put your child at risk (with Medicaid and other benefit programs, for example, a child can have no more than about \$2000 in his or her own name either now or in a will.)

Some parents say they plan to leave money to a family member who's willing to provide care for the special needs child but financial advisors tell me this plan doesn't work and puts an enormous strain on the chosen caregiver. They suggest instead that you set up a special needs trust.

A special needs trust is a receptacle for money earmarked for a differently-abled child:

- Name trust as beneficiary of life insurance & retirement plans
- Cash value policy rather than term life insurance since child could be dependent for more than 20-30 years
- Buy coverage for both parents (with most money in a second-to-die policy so proceeds are paid directly into trust after both parents death)
- Increase life insurance if other siblings
- Write letter of intent for what trust pays for

A special trust can pay for what government programs don't provide such as travel to visit relatives, celebrate birthdays and other holidays. And, relatives can contribute to it. It's suggested that you choose trustees and guardians who are young enough to manage trust this trust for decades.

Though laws vary from state to state, at the age of 18, special needs children become their own guardians regardless their ability to manage their lives. So it's important to apply for guardianship before they turn 18. Go to [www.specialneedsanswers.com](http://www.specialneedsanswers.com) for special needs planners and state specific information

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