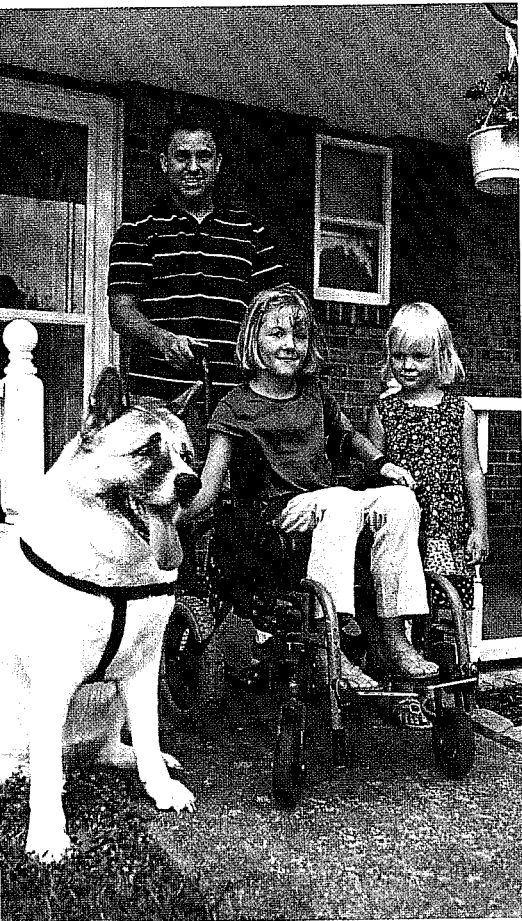


Financial Planning for a Special Needs Child

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According to the U.S. Census Bureau (July 2005), an estimated 2.8 million American families, or one out of every 26, were raising at least one child age 5 to 17 with a disability. Establishing financial arrangements for a lifetime of special needs care is far different than ordinary financial planning. Planning for the future of a special needs child is a complex undertaking that requires knowledge of the federal laws as they pertain to government benefit eligibility and documents such as special needs guardianships and trusts. Key financial considerations are essential for providing lifetime care and quality of life. It is essential to work with trusted business advisors who are experienced in this

area and can create a highly tailored plan for each specific family situation.

Considerations and Goals

For a family with a special needs child, many facets over the child's lifetime must be taken into consideration when forming a financial plan: child's life expectancy; nature of the disability; expenses for the child's medical issues, including treatments and equipment; residency needs both during and after the parents' lifetime; education; earnings potential; and eligibility for government or other benefits/grants such as Medicaid and Supplemental Security Income (SSI). Investment strategies, insurance, legal and estate matters must also be carefully addressed as part of comprehensive planning.

The family must also determine its investment goals, such as the parents' retirement, health and education for other family members, and a timeline for those goals. Long-term goals, such as retirement assets, should be invested in growth-type investments. Depending on the needs of the child, allocable funds should be invested in income-producing assets to cover current costs. A special needs trust should be established to protect assets from creditors.

Special Needs Trust

A special needs trust (SNT) is designed to provide supplemental care for basic necessities that are not covered by government benefits. When structured correctly, an SNT preserves eligibility for public assistance, as trust assets will not be included in the calculations for government benefits such as SSI and Medicaid. Once an SNT is established, it may begin receiving contributions from various sources, including extended family and friends.

Once the trust is set up, a trustee must be appointed. Trustees for an SNT are

typically other family members, close family friends, banks or attorneys. It is also possible to select co-trustees who work together and must agree before any funds are paid out from the trust. A fee, normally a percentage of the total assets in the trust, is paid to the trustee for his or her services. No assets should ever be held in the child's name, as it may preclude the child from qualifying for certain government aid.

The child may need to have a legal guardian, even as an adult. Funds may be held in trust for the benefit of the child, requiring a trustee to administer those assets. The fiduciaries (and possible successors) should have the necessary knowledge to carry out this responsibility and act in the child's best interest. Any assets passing to the child at the death of the parents should go into a special trust for the needs of the child for expenses to enhance the quality of life that are not covered by the government benefits.

Insurance

Both parents must be adequately insured to provide for the family goals in the form of life insurance and disability insurance and to provide for the special needs child. Long-term care insurance for the parents will also help defray the costs that could deplete family investments intended for the care and support of the special needs child and/or any other children. Adequate health insurance should be obtained to cover extraordinary high costs of medical needs in order to protect the family's assets. ❏

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