



# Financial strategies for family members with special needs

Special needs trust



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Life Insurance: • Is Not a Deposit of Any Bank • Is Not FDIC Insured • Is Not Insured by Any Federal Government Agency  
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# Putting a plan in place

If you are responsible for caring for a family member with special healthcare needs, you are not alone.

**21.8%**

of U.S. households with children include at least one child with a special healthcare need.

The National Survey of Children with Special Health Care Needs found that 21.8% of U.S. households with children include at least one child with a special healthcare need. It is important that families dealing with a special needs child, or adult, consult with proper advisors to obtain appropriate advice for current and long-term financial strategies.<sup>1</sup>

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<sup>1</sup> National Survey of Children with Special Health Care Needs, October 2019. Child and Adolescent Health Measurement Initiative, Data Resource Center on Child and Adolescent Health website. Retrieved February 7, 2017 from [www.childhealthdata.org](http://www.childhealthdata.org).

# Pursuing possibilities and preparing for uncertainties

A good financial strategy is designed to change as your life evolves, helping you build a fulfilling future for you and your loved ones. This is especially true when planning for the long-term care and support of loved ones with special needs or disabilities.

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**An integral step in the planning process is to ensure your family member is financially secure, especially when you are no longer there to be an advocate, and to maximize all resources available to him or her. This financial stability can often be achieved through a special needs trust.**

A special needs trust is created for the benefit of a dependent with a special need or disability. This trust has several functions, two of which are paramount:

- A properly prepared special needs trust can preserve the beneficiary's eligibility for public benefits such as Social Security, Medicaid, housing and other government-funded programs.
- A special needs trustee can manage funds for your loved one who is not able to accumulate or manage his or her own funds due to a disability.

## Funding the trust

In addition to creating the trust document, proper funding is essential. Your personal and family situation may dictate certain approaches.

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**1**

First, you can fund the trust during your life with personal assets.

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**2**

Second, you can fund it at your death with your estate assets.

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**3**

Third, you can fund it at your death with life insurance proceeds.

Life insurance can be useful for funding under certain circumstances. During your life, you may be able to address financial needs as they arise. At your death, the special needs trustee can take over, but they will need you to plan properly to provide the financial resources needed to fund the trust. Since your death will create the need, the use of life insurance can make a great deal of sense. A policy can be owned by the trust itself or by the parent with the special needs trust as the beneficiary. Either single-life or survivorship insurance can be used. Where appropriate, the annual gift tax exclusion can be applied against the annual premium.

**Knowing that your family member has the protection of a special needs trust can help you feel more confident — and less alone.**



**A properly written special needs trust can accomplish a variety of goals:**

- It can allow you to leave property and resources for the benefit of a family member with a disability without losing important public assistance.
- It can prevent siblings from being overburdened with caring for a sibling with disabilities.
- It can help the grantor to equitably distribute the estate.
- When properly managed, it can help ensure there is enough money to sustain an individual with a disability over time.



**At the death of a special needs beneficiary:**

- The trust assets can remain free from government access, without reducing outside assistance.
- The special needs trust remainder is available for distribution to other family members.





# Special needs planning can be complex, so it is important to understand the team of professionals you should work with for proper planning

**When planning the financial well-being of a loved one with disabilities, it is important to:**

- Consider whether or not your current plan is appropriate for both your current situation and your future needs.
- Think about how you will fund the trust.
- Examine the overall impact of your plan on your estate, and any effect on potential eligibility for federal aid and taxes.
- Seek help from a special needs family planning professional and develop a plan based on your family's specific situation.
- Thoughtfully consider the choice of trustee, guardian and conservator.

**Build a team of professionals.  
This team should include a:**

## Financial professional

Professional responsible for ensuring the special needs trust is funded with the proper assets and that those assets are managed.

## Trustee(s)

Consult(s) with both the lawyer and financial professional on how to best implement your wishes when you create the trust so as to distribute the assets in the special needs child's best interest.

## Lawyer

Responsible for forming the most appropriate type of special needs trust and making sure it is properly drafted.

# ABLE account

**Recent tax legislation introduced ABLE (Achieving a Better Life Experience) accounts. This option, which has only been in place since the end of 2014, expands options to help fund care for special needs individuals. On one hand, more options to help are always welcome. ABLE accounts now offer an alternative, or complement, to special needs trusts. However, you need to be aware of what ABLE accounts allow and restrict.**

ABLE accounts may be established for many special needs individuals and funded annually up to \$15,000 (in 2018). While special needs trusts can be funded aggressively by gifts, inheritances, etc., they must be carefully worded and managed to only be used to supplement, but not supplant, government benefits. ABLE accounts can be established more easily and cost-efficiently, but there are annual contribution limitations and a \$100,000 cap (above which certain government benefits may be limited). Also, ABLE accounts can only be established if the beneficiary incurred a special needs limitation before age 26. Since ABLE accounts were established, each state has set their own specific requirements.





**Of course, your financial professional can work closely with you and other experts to help guide you.**



# Why life insurance?

Where the parents or grandparents can qualify for life insurance, the extra leverage between the premium and the planned benefit can be important. It can also reduce the contributions by the family and provide the parents with some peace of mind there will be assets after they pass away to protect their child. Furthermore, in many planning situations, parents expect they can maintain a hands-on role in providing or directing care during their lifetime. It is their deaths that create the concern and a planning dilemma that can be well-served by the combination of life insurance with a special needs trust. Life insurance is one financial product that can be used to fund a special needs trust. A life full of confidence and optimism is something you deserve to experience every day, not in the distant future. Knowing your loved ones have protection from uncertainties can help you attain it. With life insurance, you can help provide financial security for your family now. You don't have to wait for years until you have accumulated substantial assets for your family to be protected. In addition to your family receiving payment if something should happen to you, today's insurance products may also provide financial protection if a parent or other responsible party becomes disabled and they are no longer able to provide hands-on assistance. Life insurance with a long-term care rider can provide funding for a special needs trust when the primary caregiver suffers a disabling event of their own. (Long-term care riders, which may be available for an additional cost, do have restrictions and limitations. Be sure to review the details with your financial professional.)



**54** million

**Census Bureau statistics indicate there are more than 54 million disabled Americans.<sup>2</sup>**



## Next steps

Speak with a financial professional today about your personal family estate plan. Consider whether a properly arranged and funded special needs trust is appropriate for your family's needs and your overall financial strategy.

With Equitable, you can do your part to take care of your loved ones with special needs after you are gone and help ensure their financial future is secure.

## Why Equitable?

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- Strength and stability. For 161 years, we've been working with clients across generations, building on what's proven and pursuing what's possible.<sup>3</sup>

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You can count on ours.**

Over **161** years and counting<sup>3</sup>

More than **\$220** billion assets under management<sup>3</sup>

Over **2.8** million clients<sup>3</sup>

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<sup>3</sup> As of September 2019. Inclusive of Equitable Financial Life Insurance Company and Equitable Financial Life Insurance Company of America.

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