

Life Planning for a Individual with a Disability

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Why Are Parents and Guardians So Concerned?

Many parents/guardians are worried about:

- Maintaining a good quality of life for their children
- How to obtain (and pay for) all the services their children need
- Changes in state and federal laws and regulations
- Being able to protect and make important decisions for their children, even after they reach the age of majority
- Providing a lifetime of care & support for themselves and their child
- Being outlived by their child
- Who will take care of their children when they are no longer here
- Passing on too much responsibility to other family members

Failing to Plan Is Not Uncommon

Many parents of children with special needs* feel overwhelmed and therefore:

62% have not written a will

49% have not identified a guardian

77% do not have enough life insurance to cover a lifetime of need for their child

88% have not established a special needs trust

84% have no written letter of intent

*2011 "Torn Security Blanket" Special Needs Research Study

*The good news is that it is never too late to start
planning for your family's future!*

The Five-Step Planning Process

Having a process helps make planning for your family more efficient and productive and less scary.

- Step One: Form a Team
- Step Two: Assess your current situation
- Step Three: Plan With Intention
- Step Four: Put Your Plan Into Action
- Step Five: Keep It Current

Life Planning for a Individual with a Disability

Step One: Form a Team

Who Are the Players on Your Team?

- Family Members/Care Givers/Advocates
- Financial Professional who specializes in Special Needs Life Planning
- Attorney who specializes in Special Needs Trusts and Estates
- Social Service Professionals
- Public/Private Agencies and Organizations
- Other Medical and Financial Professionals (Doctors, Accountants, etc)

The Family Is a Key Player

Family responsibilities include:

- Assessing the medical needs of the child
- Assessing the emotional needs of the child
- Assessing the financial costs *now and in the future*
- Advocating for the child's benefits and needs
- Setting realistic goals and expectations for the child's future

Why You Need a Financial Professional

A qualified Financial Professional can be a difference maker:

- Develops a clear picture of the financial needs over the child's lifetime
- Helps the family determine the level and type of support desired, as well as the ability to fund various different types of solutions
- Assists the family to develop and implement the appropriate solution(s)

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Step Two:

Assess Your Current Situation

Difficult Decisions

- Who will care for my child when I am gone?
- Where will the child live?
- Who will be the legal guardian?
- Who will manage my child's care?
- Who will make a lifetime of educational and medical decisions?
- How will my child's needs be fulfilled over time?
- Will there be enough money to provide for a good quality of life for my child?



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Step Three: Plan With Intention

How Do I Create a Life Plan for My Child?

A good life plan consists of:

- **A Complete Team** (see Step 1)
- **A Letter of Intent**
- An Understanding of **Government Benefits** Your Child Receives
- Enough **Life Insurance** to Maintain the Well-being of Your Child
- An Estate Plan, including a **Legal Will, Special Needs Trusts**, and other legal documents
- The **Diversification** of Your Financial Assets

The Letter of Intent

A letter of Intent is a non-legal document consisting of the parent, guardian or other caregiver's intentions for the person with a disability.

The Letter of Intent:

- Communicates the caregiver's intent for the child
- Provides guidance to future caregivers

Remember: Your child's needs and situation will change over time, and so will your intentions and goals for your child. That is why it is important to review your letter of intent and revise as needed to keep it up to date.

Do You Need a Special Needs Trust?

A Special Needs Trust is a legal instrument that helps to:

- Address the on-going and future needs of your child if you or a caregiver is unable to provide them
- A means of protecting your child's assets and eligibility for government benefits (SSI, Medicaid)
- Money in a trust is used to supplement benefits and provide for additional benefits
- Money in a Trust is protected from the Beneficiary, as well as from Creditors and Predators

Important: Who will be the Trustee?

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Step Four:

Put Your Plan Into Action

What Does a Special Needs Trust Do?

Assets from a Special Needs Trust can be used to pay for amenities such as :

- Housing
- Supplemental medical care
- Transportation
- Rehabilitation
- Education
- Entertainment
- Home Health aids
- Trips and vacations
- Computers and other assisted communications and adaptive equipment

Avoid putting assets in the name of an individual with special needs!

Different Types of Special Needs Trusts

There are 3 main types of Special Needs Trusts:

- Pooled Trusts
- Self-Settled Special Needs Trusts
- 3rd Party Supplemental Needs Trusts*

**These are recommended because they can provide additional resources as needed without limiting your child's ability to receive other needs-based assistance/programs, do not require any Medicaid payback provisions, and allow remaining funds in the trust to pass to other beneficiaries*

Taxes and Deductibility

You can save money when you prepare your taxes every year.

- A disabled individual can qualify as a dependent, regardless of age
- You are entitled to deduct many unreimbursed medical expenses, provided they alleviate your child's mental or physical condition.
- Example: educational and rehabilitative services (including "special schools"!), some recreational services, transportation, medical treatments, capital expenditures, conferences, and more.
- Medical deductions must exceed 10% of your adjusted gross income.

Speak with your CPA, Accountant or other Tax Professional

Diversify Your Assets

Most assets fall into 4 categories:

- Real Estate and Other Properties
- Investments (stocks, bonds, mutual funds, retirement accounts, education accounts)
- Business Interests
- Insurance

Resources that your child will need later in life should be held at the lowest possible risk

Life Insurance IS a Solution

Life Insurance IS a Good Solution Because:

- It is easy to manage
- Premiums, values and benefits can come with guarantees
- The Death Benefits are received tax-free
- It can provide income to beneficiaries for their whole lifetime
- It provides liquidity to pay estate taxes
- It prevents having to sell properties or other financial assets
- It allows you to distribute financial assets and inheritances to all the family members in a fair and just way
- It avoids assets being tied up in probate in the courts

Leveraging Life Insurance

Life insurance is a unique risk management product that can be used for both offensive and defensive planning purposes:

Defensive:

Protecting Earning Power
Tax-free death benefit for survivors/beneficiaries
Creates a pool of money to pay for all of the individual's needs over their lifetime

Offensive:

Permanent or Whole Life Insurance Policies have a Cash Value that can be used to fund children's education, supplement your retirement, purchase properties or businesses and more

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Step Five: Keep It Current

Review Your Plan Annually

All legal and planning documents should be reviewed every 1-3 years.

- This includes Wills, Trusts (and Trustees), Powers of Attorney, Health Care Proxies, Guardianship provisions, Letters of Intent, etc.
- Reviewing and updating these documents helps them remain current with regards to changes in the life and needs of the individual with a disability, with changes in your life situation, and with the situations of other people named in them.
- In addition, you should review your financial situation at least once a year, making sure that your assets are still performing the way you expect them to and making adjustments as needed if they are not.

Review Your Insurance Too

In each annual review of the Life Insurance used to fund a Special Needs Trust, you should consider:

- Is the amount still appropriate?
- Is the premium level or increasing?
- When does the term expire?
- Is death benefit guaranteed or projected?
- Is there enough cash in the policy to sustain it?
- Can the policy be replaced at a lower cost?

An “In Force ledger” should be requested annually

What Happens If My Child Does Not Need the Money?

Even if your child's needs and/or situation change, the Life Insurance in a trust is still very valuable. These funds can be used to:

- Pay estate taxes
- Create wealth for children, grandchildren
- Create a legacy
- Leave money to charity
- Pay for opportunities and emergencies, including education expenses and supplementing retirement income

Additional Risk Management Tools

Remember that it is important to plan for the caregivers too!

What will happen if they are unable to work to provide for the family?

What if they are unable to care for themselves?

Disability Income Insurance

- Protects your ability to earn an income
- Replaces a portion of lost earned income due to a total or partial disability

Long-term Care Insurance

- Reimburses costs for care for chronic conditions
- Care can be provided in:
 - your home
 - the community
 - an alternate living facility
 - a nursing home

In Conclusion: The Importance of Planning

As we said before, it is never too late to begin to plan for your family. A good Life Plan:

- Allows YOU to make the decisions
- Ensures the maintenance of your child's quality of life and well-being with your directions and input
- Places your child's future in *your* hands
- Provides financial security AND peace of mind

Begin planning today!

Questions? Please Contact Me

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Thank You!

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