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Special Plans for Special Children

Those who care for a special needs child know that day to day tasks can be overwhelming. Of more concern for many is putting a plan in place to protect the child once parents have passed. Will there be enough money to care for the child's lifetime needs? Can government benefits which the child depends upon be sustained? Sloppy estate and financial planning, or no planning, may jeopardize the child's eligibility for important government benefits. What's more, the ongoing costs for the disabled child may leave little or nothing else for other family members.

Special needs children can be protected with the creation of a Special Needs Trust (SNT). SNTs allow money to be set aside for special needs children without compromising government-provided services. Where a parent feels an inheritance is insufficient to fund the child's needs, life insurance may be a cost-effective way to fund an SNT. Once the insured dies, the death benefit is paid to the trust.

There are various types of life insurance policies that can be used to fund an SNT. Although Term Life Insurance is less expensive, it expires at the end of the term and there is the risk that the SNT will remain unfunded if the parent lives too long. Whole Life and Universal Life policies are a better alternative because each can be purchased with a level premium and a guaranteed death benefit. To reduce premium costs, a Survivorship Life Insurance Policy (a



Second to Die Policy) can be a good choice. This type of policy covers two lives, usually both of the parents, and is less expensive because the insurance company pays the death benefit to the SNT only after both insureds die.

Planning for a child with special needs is stressful and is not a one-size-fits-all proposition. A team of professionals can help draft an estate and financial plan that will ensure that the needs of the child are met well after the death of his or her parents. Once the plan is set, a parent's focus can remain on the day-to-day care and enjoyment of his/her child. Everyone has a different situation. Give us a call if you would like to discuss your options.

Thank you to Robert Israel, founder of Long Island Planning Group, Ltd, who co-authored this blog. Mr. Israel is an insurance broker who for the past 3 decades has offered financial services to clients to help them coordinate their life, health and long term care insurance needs with their financial goals.

At Makofsky & Associates, P.C. we help our clients prepare for the future, protect their assets and meet tomorrow's challenges with proper planning today.