LPL Financial

Special Needs Planning

The Basics of Special Needs Planning

The Statistics…

12.7% of U.S. residents (all ages) report having a disability:

- 4.3% of persons under age 18
- 10.3% of persons ages 18 to 64
- 33.5% of persons aged 65 and over

Source: U.S. Census Bureau, ACS 2019, Accessed January 2022

The Statistics…

1 in 44 American children has an autism spectrum disorder*

1 in 9 older Americans has Alzheimer's dementia**

*Source: Centers for Disease Control and Prevention, Data and Statistics, www.cdc.gov, accessed January 2022

**Source: Alzheimer's Association report, 2021 Alzheimer's Disease Facts and Figures

What Is Special Needs Planning?

- Provides for an individual with special needs, taking into consideration the needs of the family as well as the individual
- Plans can be made by the individual and/or the loved ones of the individual
  - Child of any age
  - Sibling
  - Spouse
  - Parent
  - Other relative or friend

Goals of Special Needs Planning

- Balance your present and future needs with your loved one's present and future needs
- Create and implement personal care, financial, and legal plans
- Communicate such plans to all relevant persons
- Review and revise plans as circumstances change
- Assure family members that loved one’s needs have been adequately addressed

Risks of Not Planning Ahead

Upon your death, certain decisions will be made for you:

- Appointment of a guardian and/or a conservator
- The state will determine how much of your estate your loved one will inherit
- The money might run out

Planning Steps

You need to:

- Create and implement a current personal care plan for your loved one
- Create a transition plan for continued personal care as circumstances change
- Create and execute a legal plan
- Create and implement a financial plan

Step 1: Create and Implement a Personal Care Plan

Who will provide care?

- You and/or other family members or friends
- Full- or part-time professional

Where will your loved one live?

- At home, independently
- With you or another family member or friend
- Assisted-living arrangement

Step 1: Create and Implement a Personal Care Plan

What care is needed?

Household chores and other daily tasks

Washing and dressing

Preparing meals

Transportation

Medical

Safety/ emergency plan

Step 2: Create a Transition Plan

- Continuity of care and supervision
- Choosing alternate people and services to replace those in original plan if needed
- Anticipate and prepare for future life events

Answer “what if” questions

- What if you die unexpectedly?
- What if your loved one becomes unable to make his/her own medical/financial decisions?

Step 3: Create and Execute a Legal Plan

Ensure that legal precautions are in place:

- Medical directives
- Durable powers of attorney
- Your last will and testament
- Letter of intent or instruction (not legally binding)

Hire an attorney

An experienced estate planning or special needs planning attorney will help coordinate your will with other financial plans that have been made or will be made

Step 4: Create and Implement a Financial Plan

- Estimate the monthly cost to care for your loved one
- Project the cost over your loved one's expected lifespan
- Factor in inflation

Step 4: Create and Implement a Financial Plan

Insurance

- Health, disability, and long-term care insurance that cover your loved one
- Life insurance

Your legacy

- Last will and testament
- Assets that pass by beneficiary designation

Need to Preserve Government Benefits

- Some government benefits are need-based
- You may need to legally protect some assets in order to maintain entitlement to public benefits

Sources of Government Benefits

National organizations

Community aid

State aid

Federal aid

Federal Benefits: Not Based on Financial Need

- Medicare
- Social Security Disability Income (SSDI)
- Other benefits, including special education assistance

Federal Benefits: Need-based

Medicaid

- Joint federal and state program that helps with medical costs for some people with low incomes and limited resources

Supplemental Social Security Income (SSI)

- Provides monthly income to people age 65 or older, or who are blind or disabled, and who have limited income and financial resources

Special Needs Planning Techniques

- Certain techniques are permitted by federal and state law to maximize available resources
- With proper planning, certain government benefits may be available to families regardless of resources
- Families can use their personal resources to provide for non-basic needs
- Family's personal resources serve as a secondary source of support

Special or Supplemental Needs Trust

- Special needs trust also called supplemental needs trust (SNT)
- SNTs given “official” legal status in 1993
- Assets in a properly drafted and administered SNT will not be counted as available assets
- Trust disbursements are generally not counted as income

Types of SNTs

- Self-settled or first-party SNT
- Pooled SNT
- Third-party SNT

There are costs and expenses associated with the creation of trusts.

Self-Settled or First-Party SNT

- Created for sole benefit of an individual with a disability under age 65 at the time the trust is created
- Created by parent, grandparent, legal guardian, court or by the individual with a disability with capacity
- The trust is funded with assets of the individual with a disability

Self-Settled or First-Party SNT

- Avoids Medicaid and SSI “look-back” provisions
- Assets in trust will not be countable as resources for eligibility purposes
- Upon the individual’s death, any money or assets remaining in the trust must be used to reimburse the government for Medicaid benefits extended to the individual during his/her lifetime

Pooled SNT

- Managed by a nonprofit organization
- Funds are pooled for investment purposes
- Subaccounts maintained for each beneficiary
- Pay back to Medicaid or help others in the pool, depending on state law

Third-Party SNT

- Created by parent of an individual with a disability or other third party
- No payback requirement in most cases
- Creator of trust must not have a duty to support the individual
- Beneficiary with a disability does not need to be under age 65
- Poorly drafted trust may trigger ineligibility for Medicaid or SSI

ABLE Accounts

What are ABLE accounts?

- Tax-advantaged savings vehicles similar in some respects to 529 college savings accounts
- Available to individuals whose disability began before age 26
- Account funds will generally not count toward the personal asset limit for SSI and Medicaid

Seek more information from your state regarding how your benefits may be impacted by ABLE account assets.

ABLE Accounts

- ABLE programs are operated by states and details vary
- Eligible individuals may have only one account
- After-tax contributions can be made by anyone, any earnings are tax-deferred, and distributions are tax-free when used to pay qualified disability expenses
- Annual contributions are generally limited to the federal gift tax exclusion ($16,000 in 2022) but ABLE account owners who work may be able to contribute more
- Lifetime contribution limits also apply

ABLE Accounts

- No federal income tax deduction but states may offer tax deductions or other tax benefits
- ABLE account owners who contribute to their own accounts may be eligible to claim the Saver's Credit
- Funds from a 529 college savings account may be rolled over to an ABLE account if certain requirements are met

Investors should consider the investment objectives, risks, charges, and expenses associated with ABLE programs before investing, including the risk that investments may lose money or not perform well enough to cover future expenses. More information is available in the official statements and applicable prospectuses, which contain information about the investment options, underlying investments, and investment company. Read these carefully before investing. Also, before investing, consider whether your state offers an ABLE program that provides residents with favorable state tax benefits. Consult a tax professional for more information. ABLE accounts may be protected from creditors if you invest in your own state's program, depending on the state.

ABLE Accounts

- Funds may be subject to Medicaid payback provision in the event of the beneficiary's death
- Both special needs trusts and ABLE accounts may be appropriate tools

Conclusion

If you have a loved one who has a disability or who has special needs:

- Are you concerned about his or her future personal needs and financial security?
- Are you concerned about meeting both your loved one's needs and your own?

Thank You

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