



A SPECIAL NEEDS
PLAN

The L.I.F.E.™ PROCESS

Sneak Preview

THIS SNEAK PREVIEW PROVIDES YOU A SMALL PORTION OF THE INFORMATION THAT IS AVAILABLE IN THE SECURITY & COMFORT AND SECURITY & COMFORT PLUS PACKAGES.

GUARDIANSHIP

Depending on the State in which you live, you will also hear the term Conservator or Conservatorship. For the most part, a Conservator and Guardian are one in the same.

The law presumes that once an individual attains the age of 18 they are considered an adult, which means they are competent to make their own decisions, to enter in to contracts, and to be responsible for themselves and all the decisions they make. For most individuals with a developmental or cognitive disability they are unable to make these decisions. However, the law does not single them out. At age 18 they are treated like every other adult in our society.

The danger associated with this is that predatory individuals can take advantage of your loved one in numerous ways, including financially. It is very important to understand that you need to keep control of the major decisions in your loved one's life and that may mean assuming guardianship.

You need to know the guardianship process can be difficult for parents and family members, because you must request that the court find your loved one incompetent and therefore in need of a guardian. Your loved one will be a part of the process, so they will know they are being considered incompetent.

In order to qualify for Guardianship your loved one must meet the definition of "incompetent adult." This means they are unable to or cannot communicate important decisions about their own affairs. If your loved one is in the position of being gainfully employed, able to perform most tasks on their own, and for the most part living independently then Guardianship may not be appropriate. You should discuss your specific situation with an attorney and your physician to determine the qualification for guardianship.

Being your loved one's guardian allows you to provide:

- Medical Consent
- Residential Provider Consent
- Information to Doctors and receive information from Doctors
- Handling Financial Affairs

A WAY TO HANDLE IT:

So many parents struggle with a way to explain Guardianship to their adult child. I had a client share with me a great way to begin discussion of this subject with your loved one. They gave their son an example of if he was in the hospital, would he want "Mom and Dad to talk to the doctors with him, or would he want to do it alone and by himself." Their son quickly concluded he would want Mom and Dad to be there with him. They went on to explain in order for Mom and Dad to help they would have to be considered his Guardian.

Learn More about Guardianship in our Security & Comfort Packages

TRUSTS

Trusts are used in many situations in order to protect and preserve assets. For families in a special needs situation they are normally used to protect the ability to qualify for government benefits such as SSI (Supplemental Security Income) and Medicaid. They are also used to supplement these government benefits to provide the highest quality of life possible for your loved one. The assets within a “Special Needs Trust” are used for those items that government benefits do not provide for, such as:

- Recreational Activities, Entertainment, Camps
- Transportation
- Dental Care
- Telephone and Television services
- Hair and Nail Care
- Private Case Management
- Supplemental nursing care
- Differentials in cost of housing and shelter
- Professional Fees (such as attorney, financial planner, accountant)
- Mobility Aids, such as electric wheel chair
- Birthday Gifts
- Vacations and Trips
- Basic Care if Government Benefits are cut

Government benefits are very important for the life of your loved one, but these benefits provide what I call an existence. With the addition of a “Special Needs Trust” you begin to provide a L.I.F.E.™ (Lasting Independence For Everyone™).

I have found that the term “Special Need Trust” is used a bit too loosely. There are different types of trusts that can and should be used in specific situations.

Learn More about Trusts in our Security & Comfort Packages



GOVERNMENT BENEFITS

NEEDS BASED GOVERNMENT BENEFITS

SSI – Supplemental Security Income

SSI is a program that is based upon your loved one's income and countable resources. When, and if, your loved one qualifies for SSI they will automatically qualify for Medicaid. Medicaid is government provided (administered through each individual state) health care. Medicaid covers health care in a facility such as a hospital, as well as assisted living and nursing homes. Medicaid will also pay for certain therapies as an outpatient. Medicaid, like SSI, is based on financial need. The qualifications for 2007 are the following:

- Maximum allowable income from work (Substantial Gainful Activity) for your loved one is \$900 per month. If they are blind the income maximum is \$1,500 per month. If the disabled person is a child (under the age of 18) and lives with his parents, deeming rules apply which means that the income and resources of the child's parents will be considered available to the child. [Social Security Administration Policy Operations Manual (POMS) Section SI 1330.200].
- Maximum allowable countable resources (assets in your loved one's name) is \$2,000 if unmarried and \$3,000 if married. Resources or assets that do not count towards the \$2,000 number are:
 - A home that is owned and occupied by the disabled individual
 - One automobile used for their transportation
 - Household goods like furniture or paintings, rings, etc. (market value of less than \$2,000 and equipment required because of individual's physical condition regardless of the value)
 - Irrevocable funeral and burial arrangements
 - Cash Value of Life Insurance policies up to \$1,500
 - Term Insurance policies regardless of the death benefit

If your loved one qualifies, SSI will pay a maximum monthly income of \$623 for an individual and \$934 for a couple. If you are fortunate enough to have a loved one that is able to work and their employment pays more than the maximum allowable income of \$900 per month, you may still be eligible for Medicaid. The eligibility for Medicaid is important because your medical bills, including doctor visits, therapy, medications, etc. can be very financially strapping. Each state has a different threshold of income that a disabled person can earn but still qualify for Medicaid and those maximums are in the table below. If your loved one earns less than the income stated for your state, then you should apply for Medicaid. Please keep in mind that they must still qualify for Medicaid based on the Resource / Asset limit discussed above. If your loved one has countable assets of over \$2,000, you may want to consider placing those assets in a D4A, Special Needs Trust especially if their Medical costs are high. You can learn more about a D4A trust in the trust section of the workshop. As always, please consult an attorney that specializes in this part of the law.

Learn More about Government Benefits in our Security & Comfort Packages



FINANCIAL TOOLS

As we discuss Financial Tools we will review insurance as well as investment products. Assembling a strategy that includes both insurance and investments is critical to ensuring your strategy succeeds no matter what happens in your life. We will begin our discussion with insurance, and then move on to investments.

Insurance decisions are complicated because they can be difficult to assess, but also because choices of insurance programs can be many, and can be used for multiple purposes.

LIFE INSURANCE

Term Insurance

It is designed to purely pay a death benefit, and is designed to offer coverage for a set period of time (1 year, 5 year, 10 year, 20 year, 30 year, etc.). Term insurance will pay a death benefit to your beneficiary if you die within the term. Term insurance provides no savings feature and will only pay your beneficiary if you die within the stated term. What if you become seriously ill just as your coverage expires? You would be unlikely to qualify medically for a new policy. To avoid this issue be sure to include a guaranteed renewable option and a convertibility option.

You will also find that as you age term insurance becomes very cost prohibitive, and as a caregivers you will most likely need coverage for your lifetime to provide for your loved one. For these two reasons you need to have a quality term insurance policy with a convertibility option into a guaranteed permanent insurance policy. This will ensure your plans for your loved one will be financially feasible. Please see Choosing an Insurance Company for more information.

Permanent Insurance

There are many types of permanent insurance including Whole Life, Universal Life and Variable Life.

Whole life has the most number of guarantees. There are many features to all these types of policies that can be included, but all permanent life insurance policies have tax advantages that may help you in minimizing future tax liability. These policies, whole life in particular, will build cash value in a secure and efficient manner. It has a savings feature within the policy. This cash value can be used for any purpose you would like. You can borrow it from the insurance company, at very low interest rates, for any purpose such as new treatments or new therapies based on medical advances, purchasing cars, and to provide you additional, tax-favored income in your retirement. The premiums can be paid by the insurance company if you become disabled meaning you will still have a death benefit after being disabled and you will continue to build the savings side of this policy for your use later in life, you can use the cash value as collateral for a bank loan, and the cash value is free from claims of creditors.

Universal Life is best used as a life-long term insurance policy. You will find it is usually a bit cheaper than whole life, which allows you more death benefit for less money. However, it is not the most efficient policy to build cash value due to the fact that the interest rate on the cash value changes annually or semi-annually depending on the policy and universal life lacks a dividend. Another disadvantage is that the interest in universal life cannot be removed tax free if you want to take the interest in cash.

Variable Life is a combination of term insurance and "sub accounts." These "sub accounts" are essentially mutual funds, and it is in these "sub accounts" where your cash value or your savings builds. The advantage to these policies is it is possible to build your cash value quicker than in a universal or whole life insurance policy; however, it is also possible to lose value because of the poor investment performance in the sub accounts. You take the entire risk of the growth of cash value with a variable life policy. It is also possible that if your borrow money from your policy and the stock market declines at the same time, you can experience a reduction in your death benefit, the policy may lapse or you will have to contribute more money just to keep the policy in force. Another disadvantage of these policies is you receive no dividends, and you must borrow to get money out of the policy.

One way to think of the types of life insurance is an analogy of a car. Whole life would be considered the luxury car, Universal and Variable a midsize car and Term insurance an economy car.

Joint Policies

Another form of life insurance that is popular among parents are what is commonly referred to as second to die policies. This means that the policy will pay a death benefit after both of the insured's usually mother and father die. Due to the fact that the policy only pays after two people die the premiums are significantly less.

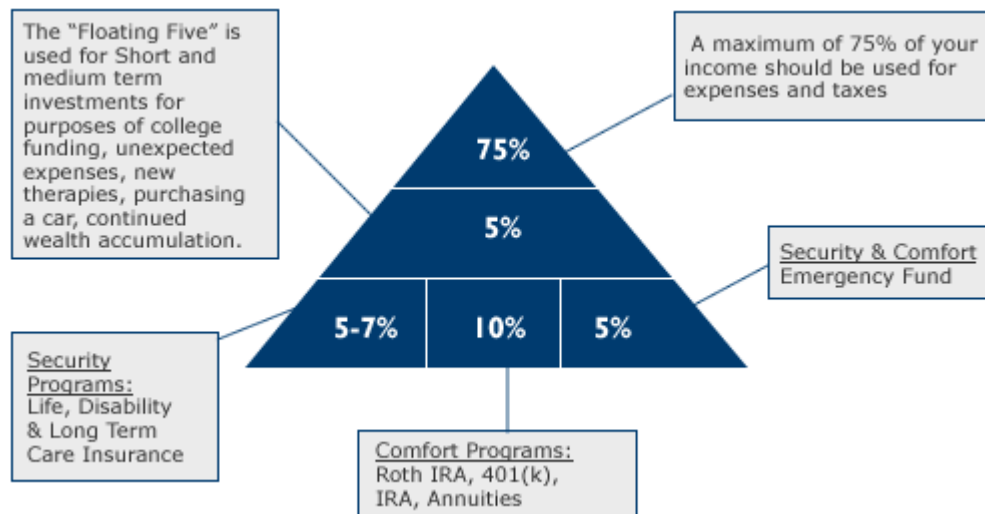


Learn More about the proper Financial Tools to utilize for your family in our Security & Comfort Packages

TAKING ACTION

Now that you have completed the L.I.F.E.™ Workbook and have an understanding of your financial needs and goals we can begin to discuss how to implement a strategy that can help you reach your, your loved one, and your family's Lasting Independence For Everyone™.

Let's begin by looking more closely at Cash Flow. In order to reach your L.I.F.E.™ goals you need to live within the following Financial Pyramid. The percentages listed are the % of your income you should be allocating in each area.



For most families, this is not the reality of their situation today and that is okay. However, you must commit to making changes in your everyday life in order to move in this direction over time. By doing so, you will find that your, your family's and your special needs loved one's L.I.F.E.™ goals will be reachable. As you begin to grow each area of the pyramid, you want to build the 3 pieces of the foundation first, because it is in those three areas that your Security & Comfort will be built. Please know that once you have built your Emergency Fund, you will then funnel that 5% of your income to the other 2 areas of your foundation.

WHERE DO YOU START?

You must begin in the Security Section and consider the **4 largest Security Risks** you, your loved one, and your family face during your lifetime.

1. The financial insecurity resulting from your death or your spouse's death
2. The financial insecurity resulting from an injury or illness (which means you can't work and earn an income to pay the bills)
3. The financial insecurity that stems from you getting older, becoming sick, needing care yourself, and having to pay for that care with your savings and assets. As well as paying for your care, you will also have to pay for another caregiver for your loved one.
4. The financial and emotional insecurity for your loved one when you and your spouse die, and your loved one still needs support

Learn More about Building a Coordinated Strategy in our Security & Comfort Packages



A SPECIAL NEEDS
PLAN

TOO MANY RESOURCES

How do you qualify for government benefits when your child has too many resources?

We have seen this happen in families where they have been gifting ever since their loved one was diagnosed with a disability. For instance, parents may have a savings account or grandparents may have been buying US Savings bonds for all their grandchildren including the one with special needs. All of a sudden your loved one gets to age 18 and you realize you have more than \$2,000 of assets in their name. What do you do?

The options . . .

*Learn More about the options you have if your loved one has **TOO MANY RESOURCES** in our Security & Comfort Packages*