

# In the Blink of an Eye: Special Needs Planning

by Constance A. Stone, CFP®, ATP®

## Executive Summary

- Statistical studies indicate that a significant portion of the adult population provides care for chronically ill, disabled, or aged family members. Special needs may arise in the future for any client, so financial planners need to exercise regular and careful scrutiny of disability and estate plans, and remain aware of their clients' multi-generational family issues.
- Obtaining and maintaining eligibility for appropriate government benefits through programs such as Supplemental Security Income and Medicaid are crucial to the financial and medical stability for disabled people of any age.
- Congress intended the Deficit Reduction Act of 2005 to limit the government's financial burden for future Medicare and Medicaid spending. It effectively makes benefit eligibility more difficult, record-keeping more important, and long-term care insurance attractive to a wider band of clients.
- Medicaid annuities may be appropriate for some clients, but are fraught with potential hazards.
- Special needs trusts remain critical to the planning for many disabled individuals. Review older trust documents to be sure they don't hamper program eligibility in light of new regulations. Choose the trustee and successors with great care, and communicate the trust's existence to family and friends to avoid disqualifying gifts.
- Due to the increasing complexities of federal and state laws, planners and their clients should seek assistance from elder-law attorneys who specialize in drafting special needs trusts. Consult these attorneys in advance of implementing other planning strategies to ensure that the strategies do not unwittingly establish potential barriers to government benefits or estate planning objectives.
- 529 college plans can serve as excellent investment vehicles for special needs children.

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A search of the archives of professional financial planning journals and continuing education courses will net surprisingly little on the topic of special needs planning. Perhaps there's a perception that it applies to relatively few individuals. That's not true. According to the 2003 U.S. Census, over 77 million Americans, or more than 27 percent of the U.S. population, were considered to be disabled in some form.<sup>1</sup> Those numbers are rising with the aging of the baby boomer generation.<sup>2</sup> As people live longer, their risk for disability and dependence on social programs increases. A study conducted by AARP in 2005 found that 44 percent of men and 72 percent of women over age 65 develop a long-term disability that affects daily living.<sup>3</sup> Consider also that

- The number of persons over age 65 will double over the next 30 years (U.S. Census Bureau 2002). Many of these individuals are parents or caregivers for individuals with disabilities."<sup>4</sup>
- "Nearly 27 percent of the adult population has provided care for a chronically ill, disabled or aged family member or friend in the past year."<sup>5</sup>
- "Between the 1970s and mid-1990s, the average life expectancy for individuals with developmental disabilities increased from 59 to 66 years. It is anticipated that people with developmental disabilities, particularly those with less severe impairments, will soon have a lifespan equal to that of the general population."<sup>6</sup>



























