

# Planning For Your Loved One with Special Needs

## What Every Caregiver Needs to Know

Patrick Bergmaier, CFP®, ChSNC™, RICP®

CERTIFIED FINANCIAL PLANNER™

Chartered Special Needs Consultant™

1847Financial

# What is important to you as a caregiver?

- ▶ Maintaining lifetime care and quality of life.
- ▶ *Peace of mind* when I am no longer able, or around, to provide care for my loved one.
- ▶ Protecting and maximizing government benefits.
- ▶ Planning for a “three-person retirement.”
- ▶ Providing equitably for all my heirs
- ▶ Minimizing the impact of Uncle Sam.

# The majority of caregivers of dependents with special needs have not planned sufficiently...*why not?*

- ▶ Lack of coordination among advisors: legal, tax, financial, insurance, community/government, etc.
- ▶ Current advisors not experts in special needs planning
- ▶ Absence of a “plan” to address the future of dependent(s).
- ▶ Outdated or inefficient estate plans.
- ▶ Procrastination: “My child is young/higher functioning”  
“Other priorities” “I don’t have the time...”

# Special needs planning is very different from general financial & estate planning...

Legal



Government Benefits  
& Care Management



Financial



# Legal Planning: working with the *right* attorney

## Basic Estate Planning Documents:

- ▶ Wills
- ▶ Financial Powers of Attorney
- ▶ Medical Power of Attorney & Health Care Proxy
- ▶ Trusts

Neither Penn Mutual nor any of its employees, agents, or representatives provide tax or legal advice. Please consult your personal attorney and tax advisor regarding your particular situation.

# What do I need to know about my Will?

- ▶ Why do I need one?
- ▶ What if I don't have one?
  - ▶ Intestate vs Probate
- ▶ What types of assets might *avoid* my Will?



# What about a trust?



- ▶ The benefits of trusts
- ▶ Many types of trusts
- ▶ The role of the trustee

Have you have arranged to leave more than \$2,000 to my dependent with special needs?

***Federal law says...***

If you leave **over \$2,000** to a person with a disability, he/she automatically loses eligibility for *most* government benefits & services.



# Government Benefits

- Entitlement vs. eligibility/needs-based benefits
- Countable vs. non-countable assets/resources
- Important ages: 18, 21, 22, 26 years old
- Resources to help navigate

# What are my options?

First, some Common Planning Mistakes:

- Disinheriting your loved one
- “Morally-obligated” gifts
- Well-intentioned family members

## What's a better solution?

# A Special Needs Trust (SNT)

- 3<sup>rd</sup> Party SNT                      vs                      1<sup>st</sup> Party SNT
- Living (Inter Vivos)              vs.              Testamentary SNTs
- Choosing a trustee
- When should it be funded?

# ABLE Accounts

- ▶ Higher asset limitations for government benefits qualification
  - ▶ \$100,000 for Supplemental Security Income (SSI) eligibility
- ▶ No required reimbursement to the state for Medicaid repayment
- ▶ Federal & PA income tax-free growth on earnings
- ▶ Federal & PA income tax-free withdrawals for “qualified disability expenses”
- ▶ Individual has complete control and access to account (if individual has capacity)
- ▶ PA state income tax deductible for contributions

# When to consider an ABLE account

- \$15,000 or less inheritance
- \$15,000 or less “Litigation Settlement”
- Beneficiary has unspent SSI/SSDI/Earnings that will push resources over the allowable amount
- As a *supplement* to a properly drafted & funded Third Party SNT

# What I should know about Guardianship & Alternatives to Guardianship

- ▶ If my dependent is under 18
- ▶ If my dependent is over 18
- ▶ Depending upon where my dependent lives
- ▶ Guardianship vs Powers of Attorney (POAs)

# Care Management

- ▶ Memorandum/Letter of Intent
- ▶ How do I help assure the kind of care I would personally give my dependent?
- ▶ I don't want to place any burden on my other family members...
- ▶ What if I don't have someone?
- ▶ What will be there though the government?

# Financial Planning

- ▶ Tax planning considerations
- ▶ Planning for a “three-person retirement”
  - ▶ Social Security decisions
- ▶ Approaching investing differently
- ▶ Insurance planning for special needs
- ▶ Beneficiary designation errors



# What is your funding strategy?

Funding strategies for your dependent's special needs trust:

- ▶ Property/Real Estate
- ▶ Investments
- ▶ Retirement Accounts
  - ▶ Pre-Tax/”Traditional”
  - ▶ Roth
- ▶ Life Insurance

# How much does my loved one need?

- ▶ No “one size fits all”
- ▶ Take into account the impact of inflation
- ▶ Don't forget about taxes!

# What about *your* lifetime care needs?

- ▶ Life Insurance - protect surviving caregiver(s)
- ▶ Disability Insurance - protects the caregiver's *income*
- ▶ Long Term Care insurance (LTC) planning options - get educated!
- ▶ How are you currently addressing these risks?

# OK, so where should I start?

## Financial Planner with Special Needs Expertise

- ▶ Is my current advisor experienced with special needs planning?
- ▶ Potential gaps in my plan?
- ▶ Could a 2<sup>nd</sup> opinion hurt?

## Qualified Special Needs Estate Planning Attorney

- ▶ Is my attorney a specialist or a “dabbler”?
- ▶ When did I last hear from them?
- ▶ Am I confident my plan is “done right” vs “done”?

# How we can help...

- ▶ **Complimentary** first meeting - 30,000 foot overview
- ▶ Introduce you to qualified special needs estate planning attorneys\*\*
- ▶ Connect you to additional resources within the community
- ▶ Educate you on variety of special needs trust funding options
- ▶ Comprehensive, objective & fiduciary-bound approach

\*\*If you do not have your own qualified special needs attorney, our firm can introduce you to a few qualified attorneys specializing in special needs for your own choosing.

## In Summary...

Surround yourself with experienced, qualified advisors to assist you & your entire family.

Remember that *YOU* are the expert about your dependent.

Think “lifetime care” and “quality of life” - We will help you get there.

The preceding presentation is for informational purposes only and should not be considered as a specific financial, legal or tax advice. Depending on your individual circumstances, the strategies discussed in this presentation may not be appropriate for your situation. The information in this material is not intended as tax or legal advice. It may not be used for the purpose of avoiding any federal tax penalties. Penn Mutual Life Insurance Company and its affiliates does not provide tax or legal advice. Always consult your legal or tax professionals for specific information regarding your individual situation.

1847Financial is a local agency of Penn Mutual Life Insurance Company and a full-service insurance and financial services firm. Serving the needs of individuals, business-owners, professionals and their families, we are dedicated to providing our clients with the best products and services possible.

\*Registered Representative of, and Securities and Investment Advisory services offered through Hornor, Townsend & Kent, Inc. (HTK), Registered Investment Advisor, Member FINRA/SIPC - Eight Tower Bridge, 161 Washington Street, Suite 700 - Conshohocken, PA 19428 610-771-0800. 1847Financial is not affiliated with Hornor, Townsend & Kent, Inc.

1927287RM-Nov19