Ensuring Financial Security for a Child With Special Needs

The normal cycle of aging generally has adult children caring for their parents through retirement until they pass on. This normal cycle is not possible, though, if you are the parent of a child with special needs. Not only must you continue their care well into your own retirement, you must plan for their future beyond your death. Figuring out how to provide care for your child when you are no longer around can be stressful, but there are steps you can take now to protect their future financial security and quality of life.

First, evaluate the needs of your child.

- Will you need to appoint a guardian to make legal, medical, and/or financial decisions on behalf of your child once you're no longer able to do so?
- Will your child need to live in a specialized care facility, or can they live on their own?
- Does your child need a home-care nurse or personal care assistant? If yes, does this involve round-the-clock care or a certain number of daily visits?
- Can your child earn any of their own income or are they entirely reliant on your support?
- Does your child require any specialized equipment or medications that are not covered by their health insurance in full or in part?
- What costs will your child accrue on a day-to-day basis? On a month-to-month basis? Are those costs likely to increase over time?

Once you determine what financial needs your child will have after your passing, you must figure out how you are going to fund their financial security. You have three main options.

1. **Purchase a whole life insurance plan**. A whole life insurance plan can cover your final costs (e.g., funeral expenses, outstanding debt, and estate taxes) and provide peace of mind to your family. It can do more than just cover your final financial obligations, though. By making your child the beneficiary on your life insurance plan, you can guarantee them a source of income after your death. Instead of providing a lump sum payment upon your death, you can specify that your insurance payout be paid to your child over a fixed period of time (one to 30 years) or in fixed amounts each month (until the benefit is fully paid). Means testing – or a determination of whether your child is eligible for federal benefits – should be considered when deciding if a beneficiary trust arrangement is appropriate, as a direct payout may affect their eligibility.

2. **Purchase an annuity.** Annuities allow you to invest money with a life insurance company in exchange for a fixed amount of income over a defined period of time or for the annuitant's entire lifetime. After your death, making your child the beneficiary of a deferred annuity or the annuitant of an immediate annuity can provide them with a fixed income for the remainder of their life, provided you choose the correct payout option. A Joint and Survivor Income payout would guarantee that both you and your child receive payments until your death; after your death, your child would receive a percentage of the original payment amount through the end of their life. Means testing should also be considered with an annuity.

3. **Open an ABLE Account.** An ABLE account is a private, tax-advantaged savings account designed specifically for individuals with disabilities. Provided your child was diagnosed with a disability before turning 26 years old, they are eligible for an ABLE account. ABLE accounts have a $15,000 annual contribution limit; contributions can be made by anyone, including family and friends. This money can then be used to cover the costs of qualified disability expenses, including housing, health care costs that aren't covered by insurance, personal support services, transportation, food, and more.

   Note: While both whole life insurance and annuities give you the option of setting a monthly payout amount to your child, an ABLE account is fully in their control as the beneficiary and account owner unless you have appointed a guardian.

Individuals with disabilities are also eligible for assistance from the government, but there are limitations to this aid.

- The **Social Security Disability Insurance program** (SSDI) provides benefits to you if you are diagnosed with a medical condition that is expected to last at least one year or result in your death. Benefits are also available to eligible family members (including a disabled child or an adult child who was diagnosed with a disability before age 22) provided you have worked long and recently enough and have paid into Social Security while employed.
- The **Supplemental Security Income program** (SSI) pays benefits to adults and children with disabilities who have limited income and resources. If your child has more than $2,000 in assets, they are not eligible for SSI.
- Both benefits must be applied for through the Social Security Administration. Learn more about Social Security disability benefits here.

You may also consider setting up a special needs trust. This type of trust allows your child to receive income without jeopardizing their eligibility for SSI, as assets contained within the trust are not counted by the Social Security Administration.

- The beneficiary of both your life insurance policy and any annuities that you purchase can be a special needs trust.
- Monies received from the trust cannot be used for food or housing if your child is also receiving SSI. They can be used to pay for therapies not covered by health insurance, goods, and services.
- Should you decide to set up a trust, you will need to contact a lawyer and designate a trustee.

Finally, it may help to write a letter of intent containing information about your child's preferences and routines, and your wishes for their future. In it, you can identify caregivers, doctors, and other people who may be helpful to your child during their transition to a life without you. Include it with your will, and store extra copies in a safe place.

Planning for your child's care after your death is a multi-step process: First, determine your child's needs after your death, then decide how you will fund those needs and consider government assistance. The most important part of the process isn't the details of financial planning, though. It's important that you include your child in planning for their future to the extent possible given their disability. Having an open plan for their transition now will ease the shift in the future.

Navy Mutual is here to help. To schedule an appointment with a representative, **click here**, or email us at **counselor@navymutual.org**.