

Special Needs Planning

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0245161-00003-00 Ed. 02/2016 Exp. 08/18/2017

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Bring Your Challenges™

Long-Term Challenges

- Is the child capable of independent fiscal responsibility?
- Does the child require assistance with daily tasks?
- Who will care for the child when the parents are no longer able to do so?
- Is there a desire to preserve government-sponsored benefits?

Items to Consider

- Government assistance programs
- Letter of Intent
- Reaching the age of majority
- Avoiding a mistake with financial gifts or inheritance
- Special Needs Trust
- Special Needs Trust and life insurance

Government Assistance Programs

- Supplemental Social Security Income (“SSI”)
 - Provides income
 - Needs-based
- Social Security Disability Insurance (“SSDI”)
 - Provides income
 - Not needs-based
- Medicaid
 - Provides a medical benefit
 - Needs-based

Letter of Intent

- Informal, non-binding, self-created document
- Provides essential information about child
 - Medical History
 - Functional Abilities
 - Routines
 - Interests
 - Education
 - Social, Behavioral & Personal relationships that are important to the family
 - Likes/Dislikes
 - Typical Day
- Ever-changing document
- Parents final expression of love, hope & desires
- Share with successor caregiver/guardian

Reaching the Age of Majority

- 18, 19 or 21; varies by state
- Automatically becomes an adult by law
- May change eligibility for government benefits
 - Different definitions of disability
 - Whose assets count
- Ability for self care
 - Is guardian/conservator needed ?
- If capable, execute durable power of attorney, Will and health care proxy

Three Costly Mistakes

1. Leaving assets directly to the child
2. Naming the child directly as a beneficiary of a retirement plan, annuity or life insurance policy
3. Directing the child's inheritance to another family member to administer on behalf of the child

Mistake 1: Leaving Assets Directly to the Child

- May disqualify them from any government benefits that have an asset limit for eligibility.
- Current benefits may be interrupted or terminated.
- Recipient may not be capable of responsibly managing their own assets.

Mistake 2: Naming child as a beneficiary

- May void eligibility for government benefits if child is beneficiary of assets from:
 - Retirement plan
 - Annuity
 - Life insurance policy

Mistake 3:

Directing assets to another person for the benefit of the child

- Assets would be subject to any potential bankruptcy filing or litigation against the intermediary “owner”
- The intermediary “owner” may predecease the child

Special Needs Trust

- Often is the most effective way to help provide security and quality of life
- Is a separate legal entity that holds and distributes assets for beneficiaries who have special needs
- Can protect the person's eligibility for government-provided food and shelter benefits*

* Although a Special Needs Trust can be a very effective planning tool, clients must consult their own legal advisors to determine whether a Special Needs Trust is appropriate for them. Only a client's attorney can help ensure that a Special Needs Trust accomplishes the desired objectives within the context of applicable federal and individual state law.

Two Basic Types of Special Needs Trusts

1. Self-Settled Trust

- Holds assets originally belonging to the minor child or special needs adult

2. Third-Party Trust

- Funded by someone other than the potential recipient of public benefits

Types of Special Needs Trusts: Third-Party

- Established using the assets of someone other than the special needs individual
- Not duplicate government-provided food and shelter benefits
- Supplementary, not primary, source of support for the disabled
- Does not include “payback provision”
 - May provide for additional beneficiaries
- Coordinate other relatives estate planning with the third-party SNT

Self-Settled Trust vs. Third-Party Trust

Key Differences:

- Ownership of assets used to create the trust
- Self-Settled Trust's Pay-Back Provision

What Benefits Can Be Provided

- Goods
- Services
- Entertainment
- Travel
- Education
- Higher quality of medical care than is provided by local, state or federal agency

The Potential Benefits of Life Insurance and a Special Needs Trust

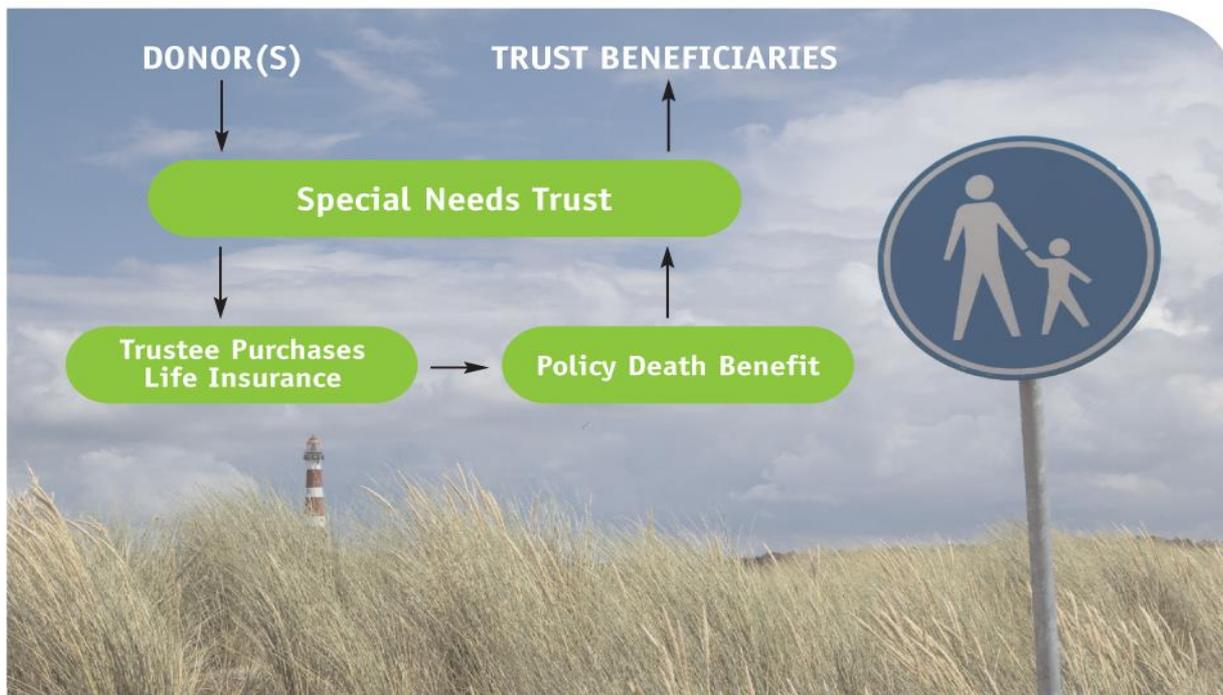
- Life insurance death benefit received by the trust generally income-tax free and, if properly structured, is excluded from the value of the insured's estate for federal estate tax purposes
- Death benefit may provide trust with significantly greater value than cost of premiums on the policy
- Any cash value accumulation within a permanent life insurance policy is not subject to current federal income tax

Life insurance policies contain fees and expenses, including cost of insurance, administrative fees, premium loads, surrender charges and other charges or fees that will impact policy values.

How It Works: A Scenario

- Married couple, both 48
- One child with special needs
- Want to provide for the well-being of their child when they are gone
- Desire to preserve government-sponsored benefits

How It Works: The Strategy

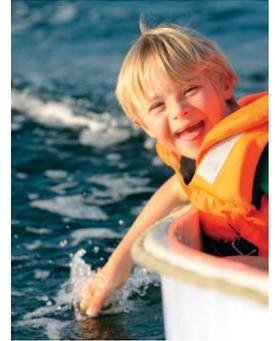


Trust purchases joint universal life insurance policy with a lifetime death benefit guarantee. Death benefit is paid upon the death of the second parent.

All guarantees and benefits within the policy are based on the claims-paying ability of the issuing insurance company.

ABLE Accounts

- Also known as 529A Account
- Tax advantaged savings account for individuals with disabilities
- One account per disabled individual
- Definition of “Disability”
- Account must be used for “Qualified Disability Expense”
- Offered by states
- Annual contribution limit of \$14,000
- Account value cap of \$100,000 (in order for public benefits not to be affected)
- Medicaid pay back provision



Special Needs Resources*

- Social Security Online
 - www.ssa.gov
 - SSA Publication no. 05-10026, Benefits For Children With Disabilities, Jan 2015
- Special Needs Alliance
 - www.specialneedsalliance.org
- Academy of Special Needs Planners
 - www.specialneedsanswers.com
- National Academy of Elder law Attorneys (NAELA)
 - www.naela.org
- Exceptional Parent Magazine
 - www.eparent.com

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Assembling the Team

- Qualified Attorney
- Financial Professional

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The Prudential Insurance Company of America, Newark, NJ.