

Information of interest to people with disabilities and other special needs and their families.

For a Family with Special Needs, Life Care Planning Takes a Traditional Financial Strategy to a Higher Level.

“The thing I often see is that most people know managing finances is important, but they need help to understand – to truly comprehend – the consequences of not doing enough, of not being thorough. This is especially vital when the finances of a person with special needs is at stake,” says Michael Butterworth¹, CLU, ChFC, RHU, CLTC, AAMS, CFBS, CRPC, AWMA who has earned the Chartered Special Needs Consultant (ChSNC)² designation from The American College and is a Special Care Planner with the Windsor Financial Group in Horsham, Pennsylvania, a general agency of Massachusetts Mutual Life Insurance Company (MassMutual).

“Every person or family has unique circumstances,” he says. “Once the individual or parents accept those circumstances, they realize they must begin to deal with the issues now, not later. I help them plan for a variety of scenarios, to find ways to take care of the short and long term needs and goals.”

A traditional financial strategy

Typically, a life care plan³ can be divided into three components that address the needs of an individual, couple, or family at various stages of life.

- **Protection** – a broad foundation which puts basic elements in place upon which the rest of the lifetime strategy is built. Here are some things an individual or family might consider at this point of life care planning:
 - auto, home/renters, and life insurance policies,
 - medical, vision, and prescription coverage,
 - advance medical directives, such as a health care proxy,
 - wills,
 - powers of attorney,
 - creating a budget,
 - building an emergency savings account,
 - learning about and using tax strategies,
 - understanding debt and establishing a good credit history,
 - working with an experienced financial services professional, attorney and accountant, and
 - setting financial goals.

- **Accumulation** – strategies to help start and grow savings for major lifetime needs. This component includes such actions as:
 - considering long term care options,
 - establishing a retirement account,
 - saving for college education,
 - buying a home and paying a mortgage,
 - saving for large purchases (ex., recreational vehicles, vacation homes), and
 - creating trusts and other estate planning strategies.
- **Preservation** – strategies to manage a lifetime of accumulated wealth. Among other things, your attention is on building ways to fully benefit from your efforts by:
 - working with your advisors to manage the strategies you’ve put in place,
 - determining how to pass wealth on to future generations, and
 - finding ways for charitable giving, which can benefit you as well as others.

Creating a special needs life care plan

As you can see, there’s much to consider when developing a lifetime plan. If your family includes a child or spouse who has special needs, that traditional strategy must expand to accommodate measures specific to that family member – a strategy within a strategy, so to speak. Here are some of the issues you may need to consider.

Planning for your child’s lifetime support

Whatever measures are put in place should take into account the person’s age and life expectancy. Imagine all that will or might occur during that lifetime. What goals do you want to reach? What long term needs or large expenses will you face? What adventures do you want to try to experience?

Creating and updating a letter of intent

Part of life care planning is creating a letter of intent, a document that includes everything useful to another person who might temporarily or permanently take over the care of a person with special needs – from medical contacts and facts to favorite foods and activities. You can request a free template on the MassMutual website⁴.

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Considering how being named as a beneficiary in wills or on insurance policies will affect his or her financial well being

If the person will need to apply for government benefits at any point in life, it's important to be sure an inheritance he or she receives doesn't jeopardize benefits' eligibility. An amount as small as \$2,000 can be troublesome. The government allows a limited amount of time to spend down the funds before benefits are cancelled. However, if they are, it can be difficult and time consuming to re-qualify. Meanwhile, benefits once received are no longer available to cover living expenses.

A life care plan includes many components that work in conjunction to help meet financial goals. When one is eliminated, it affects the whole strategy.

"Check all wills and policies," suggests Butterworth. "Communicate with friends and family to be sure an innocent mistake on their part doesn't affect your life care plan. Even something as simple as a grandparent buying savings bonds when a grandchild is born can be trouble. When that grandparent dies, the child becomes sole owner of the bond, which may have grown significantly in value."

Deciding if a special needs trust is necessary and naming a trustee to oversee it

Establishing a special needs trust (SNT) for a person with special needs creates a place for generous friends and family to direct gifts of money. Inheritances from wills and life insurance policies can be directed to the SNT as well.

"In some cases, a parent might include wording in a will instructing a child's inheritance be used to create a trust if certain circumstances at the time deem it necessary," explains Butterworth. "It may not be needed when the first parent dies, but may make perfect sense when the second parent passes. This is a wise precaution because none of us knows what the future holds."

Looking at guardianships

At some point, it may make sense to name a guardian for the person with special needs, perhaps before a minor becomes an adult (to preserve parental rights to have access to medical records and make decisions for a child who can't manage self care) or to take over when a primary caregiver becomes incapacitated or dies.

Creating transitional plans for numerous aspects of adult life

When a high school student has an Individualized Education Program (IEP), the school is required to include a transitional plan. This plan helps the student learn certain skills that will help him or her live as an adult.

"Be sure to ask for it," urges Butterworth. "Schools have tight budgets and sometimes provide the least level of service they can in an effort to preserve funds. It helps to know how to approach school administrators properly or to get help from an advocate."

There are many other times during life that a person with special needs will be in transition – getting a first job, having to use public transportation, moving into a new residence, adjusting to diminishing health or improved health due to new medical advances or discoveries. Imagine what life changes might occur; prepare for them.

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Meeting residential needs for your child or spouse

For most of us, it was exciting to move out of our parents' home. It can be just as exciting for a young person with special needs, but extra effort may be needed to make it happen. Additionally, residential needs can vary throughout life, especially as housing opportunities evolve.

"We're beginning to see residential facilities becoming more flexible to meet needs of individuals and families," says Butterworth. "Over the next decade, I believe we'll see more person-centric, smaller facilities or communities of homes built to suit tenants. As your family member's needs change over his or her lifetime, look for your best option. Plan ahead with a good financial strategy that helps you keep your options open."

Maintaining your child's eligibility for government benefits, or building his or her wealth so there's no need for those benefits

For some, government benefits are a necessary and vital part of a life care plan. "Even so," says Butterworth, "the goal is to always work toward the process of accumulating money to accommodate the wants and needs of the individual and/or family so government benefits aren't needed. However, we don't know what will happen with the economy or our ability to earn an income. It's important to be prepared for the unexpected." One way is to establish a special needs trust for the person with the disability to accumulate funds. Those funds won't be counted if the person finds he or she must apply for government benefits.

Determining how a person with special needs will receive, or how his or her own accumulated wealth will be distributed

Receiving an inheritance directly won't necessarily be problematic unless the person is receiving (or may receive) government benefits. What needs to be addressed is how the person's wealth will be used during his or her lifetime, especially during senior years, which may include increased medical or personal care expenses. Also to be considered is the person's legacy – assets and money left to others, including unused funds in a special needs trust.

Overwhelmed? Start small.

When you look at what makes up a life care plan, it can seem overwhelming. The thing to keep in mind is it's done over a lifetime, not all at once. Begin with a review of your financial picture. Build a foundation. Take small steps and build upon them. The ultimate goal? A life care plan that best meets the needs of the person with the disability – during your lifetime and beyond.

1. Michael Butterworth is a registered representative and offers securities, investment advisory and financial planning services through MML Investors Services, LLC, 220 Gibraltar Rd., Suite 350, Horsham, PA 19044. 215-441-8200.
2. Chartered Special Needs Consultant – a professional designation awarded to those individuals who've completed 120 hours of academic classes in addition to holding either Chartered Life Underwriter (CLU), Chartered Financial Consultant (ChFC) or Certified Financial Planner (CFP) designations and previously completing the Special Care Planner certification program. The certification program and the professional designation evolved from MassMutual's SpecialCare(SM) Program.
3. A Life Care Plan is a coordinated program of future care planning, financial and legal strategies for people with disabilities and their families. A Life Care Plan continually changes throughout an individual's lifetime and is provided by a team that may include your legal and tax advisors as well as insurance and investment professionals.
4. <http://www.massmutual.com/planningtools/additional-resources/special-needs/special-care/resources>

* The Special Care Planner received advanced training and information in estate and tax planning concepts, special needs trusts, government programs, and the emotional dynamics of working with people with disabilities and other special needs and their families. The certificate program was offered by The American College in Bryn Mawr, PA, exclusively for MassMutual financial professionals. State insurance departments recognize that the Special Care Planner certificate program provides essential information on the profession of special care by granting continuing education (CE) credits (varies by state).

A Special Care Planner through MassMutual's SpecialCareSM program can assist parents in drafting Letters of Intent and can help make a difference in the quality of life for an individual with special needs, their caregiver and other family members. Through SpecialCare you will learn valuable financial strategies, identify financial strategy solutions, access vital information, and meet certified specialists who will work with you and your professional advisors – your banker, accountant or financial planner, lawyer, social workers and health care providers – to review your financial picture and offer options to fit the needs of each situation. For more details, visit MassMutual's website at <http://www.MassMutual.com/specialcare>, or call 1-(800)-272-2216.

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