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Most Parents of Children with Special Needs Lack a Plan to Cover a Lifetime of Care

New Survey from The Hartford Reveals That 62% of Parents Have No Plan; Those That Do Often Make Mistakes That May Disqualify Their Child for Critical Government Help

Though the vast majority of America's 2.6 million children with special needs will need costly care long after their parents have passed away, few parents are prepared for that day. New research sponsored by The Hartford Financial Services Group, Inc. has found that **three in five (62%) parents of children with special needs have no plan** to cover the cost of caring for the child when they no longer are able to do so. And those that do have a plan often make mistakes that may disqualify their child for government services on which they now depend.

The Hartford's Special Needs Survey was conducted by the custom market research firm Harris Interactive®, which polled 580 parents of children with special needs.* Nearly one-quarter (23%) of parents surveyed said they spend at least \$500 a month to address their child's special needs. Though sixty percent of parents believe these costs will continue into adulthood, less than half have a plan in place to cover the costs.

"When you consider the daily demands already being put on the parents of a special needs child, no one should be surprised that they have not taken time to create a plan for their child's future," said Donna Scalero, a director in estate and business planning for The Hartford's Individual Life business. "That being said, it is important to acknowledge that doing nothing puts the child's future well-being at risk."

Of parents with a plan, only 42% are confident it will cover their child's lifetime needs. The most common strategy (65%) used to cover the anticipated cost of care was life insurance. The vast majority of parents (85%) with a child under five have life insurance. But just 46% with a child between the ages of 13-18 have a life insurance policy, despite the fact that a child's needs may be as great or greater as an adult. Among those with a life insurance policy, 51% do not know that during the child's lifetime they may access the accumulated cash value in a permanent policy to cover some of the cost of their child's special needs and 72% of those who are aware they can do this do not take advantage of it.

Even parents with a plan for their child made costly mistakes. **Half of all parents of children with special needs plan to leave money directly to their child and even more (58%) name their child as a beneficiary, either of which could possibly disqualify the child for critical government benefits and services.** In addition, only a quarter of the parents have established a

special needs trust to provide for supplemental needs and expenses of the child, **while not disqualifying the individual from receiving government benefits**. These missteps likely occurred because only 16% of parents with a plan created it with the help of a financial advisor or attorney.

The Hartford's Donna Scalero suggests that parents take these **four steps** to help ensure their special needs child is protected:

1. Work with a professional financial advisor to develop a plan capable of funding a lifetime of support for your special needs child, over and above what the government will provide.
2. Establish a special needs trust to protect the assets and to ensure the child will qualify to receive government benefits and services.
3. Speak with the person you want to be your child's guardian so they fully understand the commitment and are willing to take on the obligation. [Note: A "letter of intent" will help with this.]
4. Buy a permanent life insurance policy to cover the anticipated cost of care.

Scalero said parents often assume they have to amass a big savings account to cover expenses, which can easily amount to hundreds of thousands of dollars over the course of their child's lifetime, when individual life insurance can provide a more affordable strategy. For example, she said a 45-year-old couple in good health can purchase a \$950,000 last survivor universal life insurance policy for \$5,000 a year or a \$500,000 policy for \$2,681 a year.

"Aside from faith and love, I can think of no greater gift a parent can give their child than a lifetime of financial security," she said. "With that concern resolved parents can leave it to other family members and friends to give their child the love and support they need, when they no longer can."

For expert help with Special Needs Planning for your child or family member, including special needs trusts and "letters of intent", contact us today at 601.987.3000 or toll-free at 866.353.3752.

**Methodology of Survey:*

This survey was conducted online within the United States by Harris Interactive® on behalf of The Hartford Financial Services Group, Inc. between December 10-23, 2008 among 580 U.S. adults aged 18 years and older. Respondents met the following criteria: all are their household's primary or shared financial decision maker, have a child under the age of 18 with special needs in their household, and does not work for a marketing or market research company, a financial services firm, or a stock brokerage company or investment firm. Data were weighted using propensity score weighting to be representative of the total U.S. adult population aged 18 and older on the basis of region, age within gender, education, household income, race/ethnicity, and propensity to be online.