

Special Needs Planning Optimizing Private Resources



Sagemark
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Financial Planning
For Special Needs Families

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Topics



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- **Disposition of Your Assets**
- **Creating & Protecting Wealth**
 - **Life Insurance (Creating)**
 - **Long Term Care Insurance (Protecting)**
 - **ABLE (Creating)**

Transferring Your Assets to Special Needs Child

Non-Qualified:

Savings

**Investment
Real
Estate**

**Investment
Account:
Stocks, Bonds &
Mutual Funds**

Home

Annuity

Business

Qualified

401k

IRA

Roth IRA

Life Insurance

Policy I

Policy II

Owner: RLT, Will, LLC → SNT

Annuity- Beneficiary SNT

Gift to a Stand-Alone SNT or ABLE

Beneficiary → SNT

Big Mistakes



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- 1. Assets left directly to SN child.**
- 2. Assets left to sibling for the benefit of the SN child.**

Life Insurance



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Why Life Insurance?



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- **“I don’t believe in life insurance” or “I don’t need life insurance”**
- **Evaluate as an economic tool for your child.**
- **Tax efficient, guaranteed, leverage**
 - **Inherited IRA or 401k**
 - **Non-qualified account**
- **10 year treasury in November 2017 pays 2.42%**
- **Beneficiary is Special Needs Trust**
- **Should compliment your other objectives, not supersede them**
- **Big mistake, little mistake**

Types of Life Insurance



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- **Term**
- **Permanent**
 - **First to die**
 - **Second to die**
 - **Whole life (WL), Universal Life (UL) or Guaranteed Universal Life (GUL) - less investment risk.**
 - **Variable Universal Life (VUL) - more investment risk**
 - **Indexed Universal Life (IUL)- medium investment risk**
 - **Hybrids**

Long Term Care

What is it?



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The basics of long-term care

Long-term care is the need for assistance or supervision with the activities of daily living.

Eating	Bathing	Dressing
Toileting	Transferring	Please say that again Continence

There are many health-related issues that can play a role in the need for long-term care—chronic illness, advanced age, accident, stroke, Alzheimer’s disease, and other cognitive impairments.

Regardless of the cause or type of assistance needed, long-term care can have a big impact on your family and your portfolio. That’s why it’s so important to help manage long-term care expenses.

If you lose your ability to independently perform at least two activities of daily living for at least 90 days or require substantial supervision due to a severe cognitive impairment, long-term care protection can help you cover the costs.

Long Term Care

Why do you need it?



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- **Probability of needing LTC**
 - **70% of seniors will need long term service and support because of physical or cognitive impairment. The average length of time a senior adult will need assistance with activities of daily living is 3 years.***
- **Cost of LTC in Silicon Valley, 2015****
 - **Semi private room median: \$318/day, \$115,888/yr**
 - **Private room median: \$368/day, \$134,138/yr.**
 - **8% 5 year growth rate.**

* LTC Consumer: Visualizing Health Policy, Kaiser Family Foundation. August 28, 2013. Volume 310, Number 8.

** Genworth cost of LTC survey in California, 2015.

Long Term Care Insurance



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- **Traditional**
- **Life Insurance- LTC Hybrid**

Able Accounts



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- **Achieving A Better Life Experience (ABLE) Act**
 - **Signed into law December 10, 2014**
- **Able account money would not impact eligibility for SSI or Medicaid.**
- **IRC 529A- after tax contribution, grows tax free, distributed tax free.**
- **Qualifying disability**
 - **SSI or SSDI eligible, or submit certification of disability.**
 - **Disabled prior to 26.**

Idea #2: Able Accounts



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- **Contribution Limitations**
 - **\$14,000/year from all contributors**
 - **Roll overs from UTMA's allowed.**
 - **\$100,000 maximum or disqualified from benefits.**
 - **Limited to one account.**

- **Expenditures**
 - **Housing, education, transportation, employment training and support, assistive technology, personal support services, health prevention and wellness, legal fees, expenses for oversight and monitoring, and funeral and burial.**
 - **Effective in paying for In-Kind Support and Maintenance Items (ISM), because will not reduce your benefits.**

Idea #2: Able Accounts



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- **Distribution at death**
 - **Included for estate tax purposes**
 - **Remaining balance - reimburse Medicaid for expenses incurred after establishment of account- CalABLE exempt (and Oregon and Pennsylvania) per SB 218.**

- **State progress**
 - **Available in more than half the states. California- not yet.**
 - **www.ablenrc.org**
 - **Open to out of state residents**
 - **Debit cards.**

Questions?



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Thank You!



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