

Building a Financial Structure to Secure a Lifetime of Support Needs

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THIS PAST YEAR IS ONE MANY OF US WERE HAPPY TO BID FAREWELL. FROM THE COVID-19 VIRUS, THE ECONOMIC IMPACT OF THE VIRUS, THE GOVERNMENT BAILOUT OF TRILLIONS OF DOLLARS, AND THE PRESIDENTIAL ELECTION – WOW!



Could we have had handled much more in 2020? In light of all that occurred that had a negative impact, we must take the opportunity to learn some important lessons, especially when considering planning for your child's lifetime support needs.

As you plan, please expect the unexpected. You must be able to consider what might occur and then attempt to build a structure around your family and your loved one with a disability that can survive and even thrive. Let's list some of the "unexpecteds" that need consideration:

1. Government spending

With record government spending in 2020 (due to the coronavirus bailout, The CARES Act), and with a national debt that is nearing \$30 trillion dollars, we must consider the fact that the government benefits millions of individuals with disabilities and their families rely on may be cut or at the very least altered. This possibility means when you begin to plan for your child's lifetime support, you should consider it with government benefits and services as they exist today, as well as without or at the very least with less. Another consideration that makes this "unexpected" possible is the increasing number of individuals diagnosed with disabilities and, therefore, the larger population that will need these benefits. As you build your family plan, ensure that you consider how to provide for your child with government benefits that pay for less than they do today.

2. Tax rates

Along with government benefits, taxes are another element that can greatly impact the amount of resources your loved one has to live on for their lifetime, and it is another area which individual families do not control. It is important to understand that in the face of record national debt, our nation enjoys some of the lowest income and capital gains tax rates in the history of our tax code. These two facts, high government debt and low tax rates mean that another "unexpected" could be higher taxes in the future. To be prepared for higher tax rates and a changing tax code, it is critical families understand how varying accounts that hold their money will be taxed today and in the future so that the most amount of their resources are available for the lifetime support of their loved ones instead of "giving" it, unknowingly, to the government in the form of taxes.

3. Special Needs Trusts

Most families will use a Special Needs Trust to house the money and assets that will be used to provide the lifetime needs of their loved ones. The primary reason for using

this legal entity is it allows the individual with a disability to have more than \$2,000 available for their use (as long as the money resides inside the Special Needs Trust) and still qualify for government benefits. The "unexpected" to watch for with Special Needs Trusts is continued rule changes making it more user friendly with fewer restrictions on how the money can be used for the individual with a disability. We have seen some of this occur already in June 2018. In June 2018, the restrictions on Special Needs Trusts and the use of the assets held inside were eased by Social Security. As we consider the economic and fiscal landscape of the federal and state governments, we understand that the government may entice families to place more and more assets in this tool by loosening restrictions. If the government is able to do this, then the government may not need to provide as many benefits, which will reduce the government's costs.

4. ABLE accounts

These are an example of the government offering an account that individuals and families can place money in for the benefit of the individual with a disability and still qualify for government benefits. This is another account (like a Special Needs Trust) to continue to monitor the rules. Again, the more money families and the individual with a disability can save to support future lifetime needs, the less the government will have to provide.

If 2020 taught us anything, it was that the unimaginable could quickly become a reality. It is imperative that as you plan for your loved one's future that you build a structure that can work to support your loved one even in the face of the unexpected.

Contact a financial advisor who specializes in serving families with special needs for more information on how to prepare for the future. The team at A Special Needs Plan is driven by their purpose of Leading Families to Independence through an on-going, multi-generational plan. We are passionate about families confidently moving forward.



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