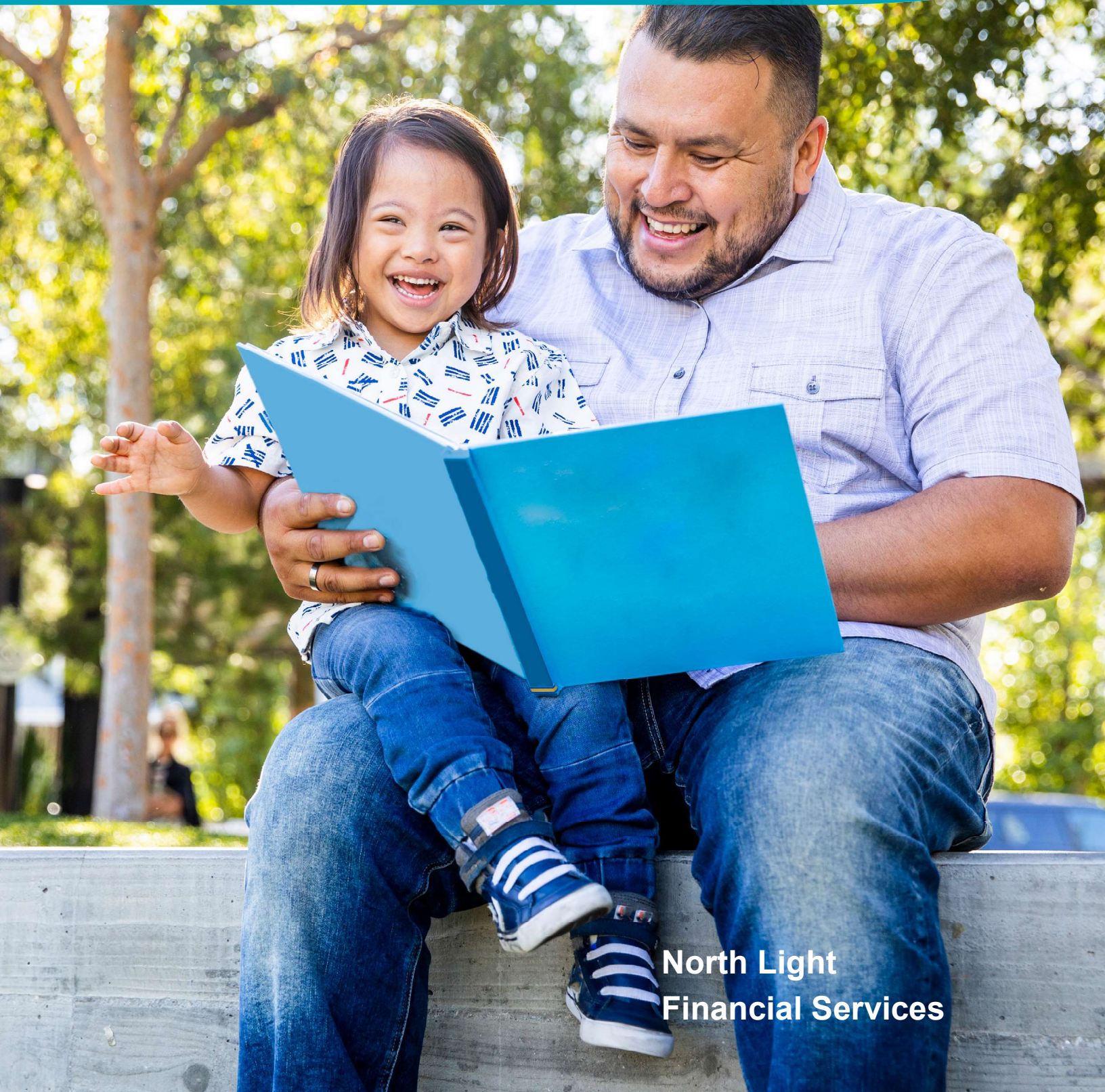


Creating a Financial Strategy for Your  
**Child With Special Needs**  
A guide for parents and guardians



**North Light  
Financial Services**

**Every family is different, which means that each of us must create financial strategies with our particular circumstances in mind. This is especially true for families caring for children with special needs. Parents often need to consider the present as well as the future for their children with special needs, including a future where parents are no longer managing their child's day-to-day needs and agenda. As with many of the first decisions we make as parents, these considerations may begin taking shape before birth.**



### **WHAT HAPPENS WHEN LIFE TAKES AN UNEXPECTED TURN?**

Your child's diagnosis might occur during one of your prenatal visits with your health provider. It might come just after your child's birth, or many years later. It might be that your child suffers an injury as a toddler or in their school-age years. Regardless of when the diagnosis occurs, your world changes the very moment you first learn about it.

But by how much? It's difficult to fully grasp, at first. Consequently, focusing on the present may feel like the easiest course of action, so you begin strategizing. You schedule appointments with doctors and form a team of health professionals. You research and mobilize therapies and other resources for your child. You seek out others who can empathize with your situation, then

construct a network of loved ones who can support you and your family while all of you adapt to your new normal. But as you become busy figuring out the details in the here and now, you may not have had a chance to give much thought to your child's future. Have you considered what their needs might be five, twenty, or even fifty years from now? Preparing for their tomorrow is just as important as preparing for today.

It is important to remember that you always have choices. However, as with many decisions of a financial nature, informed decisions may lead to the most optimal results.

### **UNDERSTANDING YOUR CHILD'S DIAGNOSIS AND GATHERING INFORMATION**

The diagnosis of your child with special needs might be physical and/or

developmental. It might be due to an accident or injury. It might be caused by genetic variation(s). The etiology might even be unknown. Regardless of the explanation, understanding your child's diagnosis and gathering the latest, evidence-based information from credible and reliable sources are likely to be high priorities whether you are new to the caretaker community or a seasoned member.

In addition to all the new information you may be collecting, you might want to connect with other parents and families who are experiencing the same things that you are. Your child's healthcare team can often help you make these connections, and social media makes it fairly easy to find online groups of people whose children have the same diagnosis as your child. These communities can offer you hope about the future. You are even likely to meet other parents



whose children may have been diagnosed months or years before yours. As an added bonus, they might be able to give you tips and suggestions on how to navigate this new and unfamiliar world.

Once you have gained some perspective on your child's health and the changes in your life begin to feel like second nature (it may happen sooner than you think!), you can start shifting your focus to the future, ensuring that your child has all the necessary arrangements in terms of financial and legal issues, government benefits and insurance, and developmental and emotional support.

### **POINTS TO CONSIDER** **Financial and Legal Concerns**

While parents of typically developing children may only be preparing for their child's college education, parents of children with special needs are concerned

with many additional immediate and long-term financial issues. There may be many considerations, depending on your current financial status as well as the costs of providing your child with all the services they require now and potentially in the future. If your child needs round-the-clock care, for example, your family might need to hire home healthcare providers who not only offer nursing care for your child but also respite care for you and your family. Parents might also need to make arrangements for their typically developing children for various necessities, such as transportation, after-school care, or safe and reliable childcare providers, while one or both parents take the child with special needs to appointments.

Sometimes, one parent might need to take leave from the workforce or change career tracks, which may noticeably reduce household income. Meanwhile,

medical bills may stream in, quickly and regularly, and the costs associated with these services may begin to feel unmanageable. Unsurprisingly, many families find themselves spread so thinly that they grow concerned that one more major expense could compromise their financial futures.

The good news is that there are many ways you can prepare, both legally and financially. Some preparations may come with fees, but others are complementary. Getting an overview of your current situation with the careful eye of a trusted financial professional and tackling whatever arrangements you are able to make on your own may help give you some financial confidence.

### **Name a Guardian and a Trustee**

A guardian is the person who will take care of your child if you and your spouse die before your child becomes an adult. Think about how much time you currently spend tending to your child's needs. Who might be willing and able to take on this responsibility? It's worth noting that the guardian you choose should not have control over your child's money; this would be the job of the trustee.<sup>1</sup>

The trustee controls the money and handles investment assets thoughtfully while disbursing them responsibly when needed. They will also make objective decisions when stressful or difficult circumstances arise. A trustee can be a family member or a close, trusted, and dependable friend. It could also be an institution, such as a bank or trust company.<sup>2</sup>

### **Write a Letter of Intent**

A letter of intent is a document written by you, which describes your child's history, their current status, and your hopes and dreams for their future. It is not a legal document, but courts and others rely on it for guidance to better understand your child and your wishes for them. It's commonly recommended to keep a copy with your will and the child's guardian. A good time to update the letter may be yearly or whenever something changes.

The letter of intent should cover your child's daily routine as well as their daily, weekly, and monthly schedules. It should include your child's medication schedule, their likes and dislikes, and any additional helpful community resources. With the letter, create a list of physicians, nurses, therapists, and other healthcare-related support, including places where emergency care should be sought if necessary. Include office addresses and phone numbers and, whenever possible, personal addresses, cell phone numbers, and pager numbers.<sup>3</sup>

### **Establish a Special Needs Trust**

Protect your child's ability to access necessary government programs and services by creating a special needs trust. Children and adults with special needs are eligible for many governmental services as long as they do not own assets worth more than a certain amount, usually \$2,000. Without a special needs trust, children or adults with special needs could be disqualified from most governmental programs and could potentially be required to repay benefits they have already received.<sup>4</sup>

Establishing a special needs trust allows you, your spouse, and other family members to leave money, life insurance proceeds, and property to the trust instead of directly to your child. This trust also protects against creditors and claims. Your trustee will have the authority to use funds from the trust to help care for your child.<sup>5</sup>

Using a trust involves a complex set of tax rules and regulations. Before moving forward with a trust, consider working with a professional who is familiar with the rules and regulations.

Several factors will affect the cost and availability of life insurance, including age, health, and the type and amount of insurance purchased. Life insurance policies have expenses, including mortality and other charges. If a policy is surrendered prematurely, the policyholder also may pay surrender charges and have income tax implications. You should consider determining whether you are insurable before implementing a strategy involving life insurance. Any guarantees associated with a policy are dependent on the ability of the issuing insurance company to continue making claim payments.

### **Educate Your Family Members**

While grandparents, aunts, uncles, and others might offer to assist you with expenses, make sure that your family

knows the importance of not putting anything in your child's name. This means that grandparents and others cannot leave anything to your child in their wills or name your child as their beneficiary to life insurance policies, savings bonds, stocks, or cash. They may, however, name the special needs trust as the beneficiary. Be sure that your family members understand the roles that the trustee and special needs trust will play in securing your family's and child's financial futures.<sup>6</sup>

### **Build Your Savings**

As soon as you can, take an inventory of your assets and liabilities. Determine your cash flow. Identify sources of income now and any you might have in the future. Put aside whatever you can each month to help you cover the cost of therapies and services that your child might need, especially those that neither your insurance nor the school system will provide. Remember, though, that you should not put this money in your child's name.

If applicable, find out if your employer offers a flexible spending account (FSA) or health reimbursement account (HRA) to help cover out-of-pocket healthcare expenses. You can set a specific amount to be taken from your paycheck to go into this account. One of the best parts of an FSA or HRA is that the money you decide to save throughout the year—up to \$2,850 for an FSA in 2022—is available to you at the beginning of the calendar year. HRA limits are typically set by the employer offering the benefit. Be sure to read all policies about any money remaining in the account that is not used by the end of the benefits year.<sup>7</sup>

Flexible spending accounts and health reimbursement accounts are two types of pre-tax benefit accounts that are used to pay for eligible expenses. Distributions used to pay for qualified medical expenses are tax-free. Earnings in the account aren't taxed. HSA funds used for other purposes are taxed at

ordinary rates and a 20% penalty may apply. Some exceptions apply. Any balance remaining in the account is commonly forfeited at the end of the year, although some plans have a grace period to submit claims or allow remaining money to be rolled over.

### **Write a Will**

According to a recent survey, only 33% of Americans have a will or living trust. A will specifies what will be done with your assets after you die. Having a will ensures that your assets are left to the special needs trust and not to your child. If you do not have a will, a probate judge could name your child as a beneficiary and, in turn, make your child ineligible for federal benefits. Writing a will also ensures that the selected guardian is the one who will take care of your child after your death. You might want to have your will written by an attorney who works specifically with families with children with special needs and knows your state's disability laws <sup>8</sup>.

### **GOVERNMENTAL BENEFITS**

Depending on the type and severity of your child's disability, they might be eligible for certain federal and state government benefits, such as Supplemental Security Income (SSI) and Medicaid. Local, private nonprofit organizations might also offer resources or benefits. Many cities and counties keep a list of these services and post them through local newspapers, online parent groups, United Way, or similar organizations.

The federal Social Security Administration (SSA) is a good place to start to find out about available healthcare services. If your child is eligible and receives SSI, the SSA can also help you find state and local resources. State agencies have different names, including Children's Special Health Services and Children's Medical Services. Most of these programs offer services through local clinics, private offices, hospital-based outpatient and inpatient treatment centers, or community agencies.<sup>9</sup>



Children who are eligible for SSI will also often be eligible for Medicaid, a healthcare program for people on low incomes and with limited resources. Even if your family has the means to take care of your child without governmental benefits, it may be a good idea to take advantage of these opportunities if your child qualifies.

Eligibility requirements differ from state to state. In many states, children who receive SSI payments qualify for Medicaid, but Medicaid may not be automatically granted, in which case you must apply for Medicaid separately. In other states, Medicaid is automatically granted with SSI eligibility. Still, other states require you to sign up for each benefit individually. There are cases in which some children receive Medicaid coverage even when they do not qualify for SSI. It is very important to speak with someone at your local Social Security and Medicaid offices to find out how your state works. Sometimes, your child's specialty center has a nurse or social worker who can walk you through this.<sup>9</sup>

### **EDUCATIONAL RIGHTS**

Children with special needs are entitled to receive extra services or accommodations through the public school system. Federal law ensures that every child receives a free and appropriate public education (FAPE). Section 504 of the Rehabilitation Act of 1973 guarantees that a child with a disability has equal access to education and that the education is comparable to that provided to typically developing children.<sup>10</sup>

Federal laws exist to ensure that children with special needs have proper opportunities to receive a public education. It is often up to the parents to ask for consideration and provide the necessary information and paperwork. A team of professionals at the school typically reviews each child's case and decides on eligibility. The criteria for eligibility, available services, and procedures for each of these laws vary from state to state. Speak with your child's teacher or guidance counselor about having your child evaluated.

## These laws include the following:

- Section 504 of the Rehabilitation Act of 1973, known in schools as a 504 plan
- Individuals with Disabilities Education Act (IDEA), enacted in 1975 and amended in 2004
- Americans with Disabilities Act (ADA), enacted in 1990

Each federal law addresses different areas of special education. IDEA addresses the specific conditions that qualify a child for special education. Section 504 requires that schools provide children with disabilities with reasonable accommodations and ensure that they are not discriminated against. The ADA requires all schools (except those run by religious organizations) to meet the needs of children with differences or disorders. Under the ADA, children who qualify cannot be denied educational services, programs, or activities. The ADA also prohibits discrimination against students with disabilities.<sup>10</sup>

Once it has been determined that your child is eligible for these services, you may then develop an individualized education program (IEP) and/or a 504 Plan. These cover additional services and/or accommodations, such as occupational therapy, physical therapy, speech and language therapy, and/or the provision of a classroom aide.

## INSURANCE REVIEW

Now is the time to review your health insurance coverage and make sure you understand how it works.

### What kind of healthcare plan do you have?

Is it an indemnity plan (sometimes called an 80/20 plan), a health management organization (HMO), a preferred provider network (PPN), or another type?

### Do you have deductibles?

If so, how much are they? What out-of-pocket costs can be applied to them?

### Do you have copays?

If so, is there a difference in cost for your child to see their pediatrician versus their disease specialist? What about urgent care, emergency room visits, or hospital admissions? Are there copays for certain

imaging services, such as magnetic resonance imaging (MRI), endoscopies, or catheterizations?

### Do you use a PPO?

Are all your child's physicians in-network providers? If not, what are the costs of seeing an out-of-network provider?

### Does your plan cover prescriptions?

What are the details concerning brand-name and generic prescriptions? Which pharmacies are you allowed to use? If your child needs compounded medicines, will they be covered by your insurance?

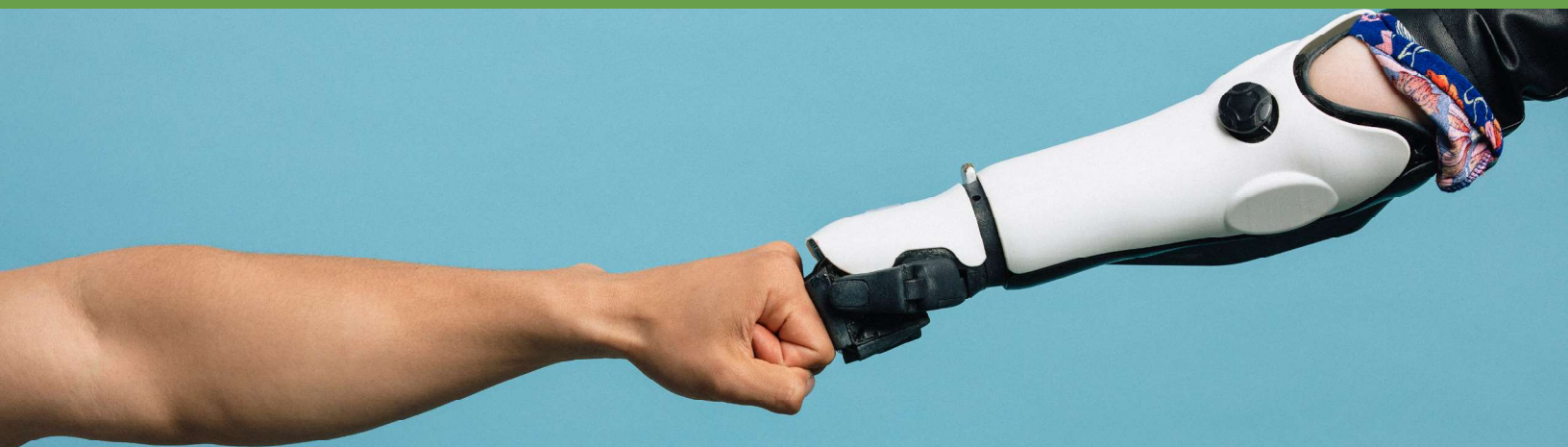
### Does your plan require preauthorization for certain tests, procedures, surgeries, etc.?

If so, become familiar with the circumstances under which preauthorization is required as well as how the process works. Once a

preauthorization has begun, follow up with your child's doctors to ensure that the process is moving along, and be prepared to change course if it has stalled.

These are some of the most important questions to cover. Stay aware of any federal changes to healthcare laws that might affect your child's healthcare coverage and the effects that possible changes might have on preexisting conditions, lifetime maximums, and how long you are able to carry on with healthcare coverage for your child.

Also, look at your spouse's and your own insurance policies—especially your life insurance, long-term disability insurance, and extended care insurance. Long-term disability and extended care insurance policies, in particular, could defray costs if you or your spouse becomes ill.





## **EMOTIONAL SUPPORT**

You have now done everything you can do for your child with special needs. You have covered potential financial and legal concerns and ensured that they are receiving the best care possible through federal, state, and local programs as well as your private insurance. Therapies and education are set in place.

So, what's next? You and your spouse are. Now is the time to find your own resources. You may or may not need them immediately, but identify them now. This way, if and when you do need them, your list will be waiting. If you spend a great deal of time in the waiting area at the office of your child's specialty physician, therapist, tutor, nurse, or social worker, ask whether they know other families with children who have similar diagnoses and would be

interested in connecting with you and your family. Other ways to find these families include local agencies and social media. Someone, somewhere, has likely created a foundation or support group for families just like yours.

These other families might be willing to share their stories and experiences with you. You might also find that it is especially helpful if the families are at least six months to a year further along than you are because they can share their successes, mistakes, obstacles, etc. Perhaps, most importantly, they can provide you with insights on their children's journeys so far. Such stories often provide hope to other families.

We hope that you have found this resource useful and informative. Remember, other families are out there and willing to help you walk this path.

We also want to offer ourselves as a resource to you and your family. We are happy to answer any questions about your current situation and how you can best prepare yourselves, your family, and especially your child with special needs for a stable future. This way, all of you can concentrate on ensuring the highest quality of life possible.

If you have any questions about the information presented in this report, or if you would like to discuss your specific needs, please contact us. We would be delighted to speak with you.

Sincerely,

**North Light Financial Services Team**

## FOOTNOTES, DISCLOSURES, AND SOURCES:

Registered Representative,  
Securities offered through  
Cambridge Investment  
Research, Inc., a Broker/Dealer,  
Member FINRA/SIPC.  
Investment Advisor  
Representative, Cambridge  
Investment Research Advisors,  
Inc., a Registered Investment  
Advisor. Cambridge and North  
Light Financial Services are not  
affiliated. Cambridge does not  
offer tax advice. Office of  
Supervisory Jurisdiction: 46  
Accord Park Drive / Norwell, MA  
02061 Phone: 781-878-4063  
Due to various state regulations  
and registration requirements  
concerning the dissemination of  
information regarding  
investment products and  
services, we are currently  
required to limit access of the  
following pages to individuals  
residing in states where we are  
currently registered: CA, FL,  
GA, HI, KY, IL, LA, MA, ME,  
NE, NM, OR, RI, SC, VT, WV. If  
we are not currently registered  
in your state please email us at  
info@northlightfinancialservices  
.com. We may be able to refer  
you to a representative in your  
area, or we may become  
registered in your state, at  
which time we could further  
discuss our services with you.

These are the views of FMG Suite LLC, and not necessarily those of the named representative, Broker dealer or Investment Advisor, and should not be construed as investment advice. Neither the named representative nor the named Broker dealer or Investment Advisor gives tax or legal advice. All information is believed to be from reliable sources; however, we make no representation as to its completeness or accuracy. Please consult your financial professional for further information.

1 SpecialNeedsAlliance.org, 2022

2 SpecialNeedsAlliance.org, 2022

3 SpecialNeedsAlliance.org, 2022

4 AbleNRC.org, 2022

5 Investopedia.com, May 30, 2022

6 SpecialNeedsAlliance.org, 2022

7 IRS.gov, 2022

8 Caring.com, 2022

9 SSA.gov, 2022

10 DREDF.org, 2022

## North Light Financial Services

81 Samoset Street, Ste. 1

Plymouth, MA 02360

774-773-3104

NorthLightFinancialServices.com