

The Special Needs Trust

All parents worry about their kids, of course, but it's even more stressful for parents who know that their child can't care for himself, due to a mental or physical handicap. How to make funds available for the child's long-term care, even after the parents have died is a primary concern. You can't just think of them as an 8-year-old child forever. You have to plan for the future. Parents don't want to saddle other children or other relatives with the financial or emotional burden of caring for their disabled child.

By establishing a special-needs trust, parents can ensure that resources are available to children who need long-term care. Irrevocable trusts are often set up during the parents' lifetimes, with assets such as stocks or bonds providing a liquid income stream to be distributed as needed. These trusts can also be funded upon a parent's death by the proceeds of a life-insurance policy.

Special-needs trusts aren't the primary paycheck for those with disabilities but rather a fallback source. Medicaid, Social Security's Supplemental Security Income program, and other government benefits foot the basic bills for food and shelter. In order to receive any of these benefits, the beneficiary can't have more than \$2,000 in his own name. Special-needs trusts are for everything else the child or adult might need for the rest of his/her life.

That can mean ballet tickets, excursions, special therapies, education, and even iPads, provided that the trustee makes the purchase for the child and no money actually falls into the child's hands. You can quite generous as long as the trust is supplementing care, not supplanting what the government provides. The key is to ensure that this trust is separate from any other assets of the family or the child.

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If a disabled person who has received a settlement can create a special-needs trust with his own funds; it functions much the same as a trust created by a parent. At death, however, any money left over is paid to the government to cover its costs for caring for the person while alive. In contrast, a trust set up with parents' money can be left to anyone after the child's death.

Special-needs trusts are a wonderful way to help the whole family and to know someone you love is provided for and will have a good quality of life.

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