

## Providing for the Future

When a Special Needs Trust is the owner and beneficiary of a life insurance policy, it is ideal for a special needs child or a dependent adult because the death benefit is:

- federal income tax-free,
- available quickly, and
- usually received without having to go through probate.

Additionally, permanent life insurance provides tax-deferred growth of the cash values that can be accessed during the life of the caregiver.\* If, however, the caregiver is uninsurable, an annuity may offer a desirable funding alternative. However, an annuity will not have an income tax-free death benefit, and annuity payments may be subject to taxation.

\*Loans and withdrawals will affect the policy value and net cash value and may also affect the death benefit.

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# THE SPECIAL NEEDS TRUST



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# Protect your loved one's eligibility for state and federal assistance programs, while providing for ongoing care.



You want to give your children everything you possibly can. You watch out for their safety when they're young and help them with their education as they grow older. You guide them toward the future, look forward to their successes, and hope to leave them with a strong financial base when you're gone.

If you are the parent of a child—whether young or adult—with special needs, you also want to ensure that your child receives the proper care after you are gone or when you may no longer be able to properly care for your child. At some point, you may also feel a similar responsibility toward an elderly or disabled parent.

A Special Needs Trust can help you protect your loved one's eligibility for state and federal assistance programs, while providing for ongoing care.

## **Understanding the Issues**

When a disabled person receives an inheritance, the government will require that the inheritance be depleted before it will pay for food, shelter, and medical care. This can quickly exhaust even a large inheritance.

Under current Supplemental Security Income (SSI) eligibility requirements, ownership of assets in excess of \$2,000 disqualifies an individual from most federal assistance programs, such as SSI and Medicaid.

Qualifying for SSI is critical for persons with special needs since in many states eligibility for SSI guarantees Medicaid coverage. Medicaid provides many crucial services, including comprehensive health insurance, attendant services, dental coverage, day rehabilitation programs, and group homes.

## **What Is a Special Needs Trust?**

A Special Needs Trust can preserve your disabled loved one's quality of life without endangering eligibility for government programs. Typically, the trust is designed to provide your loved one with funds to supplement—not replace—the government assistance he or she is receiving, ensuring that funds are available for benefits and services that are not offered through most federal assistance programs. For example, trust funds may be used for travel, computers, education and rehabilitation.

In addition, a Special Needs Trust is the vehicle for communicating: (1) the guardian you have selected for your disabled child; (2) the trusted person you have appointed to manage your child's financial affairs; and (3) the instructions you have set forth regarding the care of your child.

While the money to fund a Special Needs Trust can come from any source, survivorship life insurance—insuring the lives of both parents—is a cost-efficient means of funding the trust upon the death of the surviving parent.

For more information about how a Special Needs Trust funded with life insurance can help you preserve your disabled loved one's quality of life, contact your Transamerica life insurance professional.

## **Special Planning for Special Needs**

The laws governing trusts are complex and vary from state to state. This is why it is important that you work with a qualified attorney who has experience with Special Needs Trusts.