



Retirement Dreams Rearranged

by Mary Anne Ehlert, CFP®

> 10 keys to providing sound retirement plan advice to clients with special needs

Retirement planning, in a financial context, refers to the allocation of finances for the period of time in our life we call “retirement.” This normally means the setting aside of

money or other assets to obtain a steady income for the time when we decide to stop working. The goal of retirement planning is to achieve financial independence, when the need to be gainfully employed is optional rather than a necessity. Much of the planning done around setting goals for this time in our life revolves around the identification of the someday dreams we hold in our hearts.

Each client sees retirement differently; part of our job as advisors is to help them think that through. We listen to where they want to live, how they want to spend their time, where they might travel and their concerns about their future healthcare. Our job is to help them build retirement cash flows, evaluate how they might use their money and clearly explain any risk they face in the future.

Many families that we work with have a family member with a disability. If we are not asking the right questions, we may be missing a significant piece of retirement planning that is needed for that family.

The fact is, an estimated 15 to 20 percent of Americans have a permanent disability; that’s millions of people. With the rise of developmental disabilities such as autism, more families will see the need to plan differently for the future. When we meet with our clients, we need to be asking the question, “Does anyone in your family need spe-

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cial care?” And asking once isn’t enough; things can change. We need to ask at every annual review.

With the number of individuals with disabilities increasing each year, we must be aware of how this impacts the advice we give. For the purposes of this article, disability is defined as a physical or mental impairment that substantially limits one or more major life activities for that individual. The government has a more elaborate definition, but most individuals with some type of disability require special planning. More than one third of American households either report a member with a disability or are impacted by disability (National Disability Institute, REI Tour Annual Report, 2007-2008).

For the first time in history, children with disabilities will outlive their parents, leading to a real need to ensure their child is taken care of. In 2006, 76 percent of individuals with developmental disabilities lived at home. In 25 percent of these households, the family caregiver was age 60 or older, and the average age of the individual with the disability was 38 (University of Illinois at Chicago, Department of Disability and Human Development, 2006).

How do statistics like this affect retirement planning? Financial advisors will play an important role in the lives of these individuals. If we do not help families with the major concern in their lives, we have not provided complete advice.



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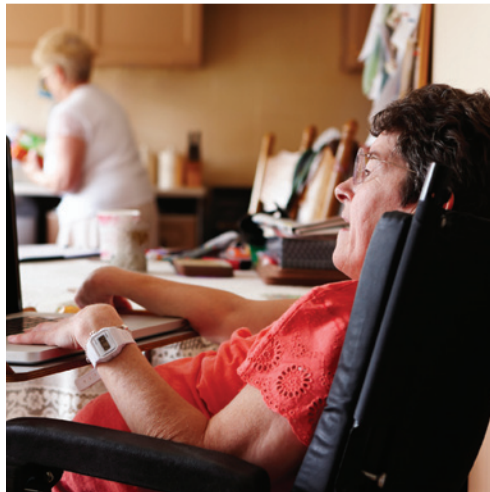
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At the forefront of the client's mind is the responsibility of caring for the disabled family member. Though they might wish their retirement plan to focus on future travel to Italy, Spain and China, they must also think about who will step into their shoes if they do travel. They are constantly aware that they must leave an inheritance behind and, therefore, must be prudent with their life savings to providing for their own care and for their dependents, as well.

The retirement plan for a family with a special needs family member should address these 10 areas:

1. THE CARE PLAN

Clients think about their own retirement in great detail. But they typically have difficulty doing this for their family member with a disability. They think in terms of safe rather than fulfilling. I know I personally have made this mistake. I advise clients to expand their thinking, but when I think of my own son, I think safety. I challenge clients to expand their views. The care plan should include all the facets of life, including the areas of work, learning and play. We utilize a concept of relating each area of the client's own retirement plan to the same area for their family member. This helps them expand the opportunities available to their family member and provides them not only peace of mind, but hope that their family member's life will, in fact, be truly fulfilling.



2. THE PROJECTED CASH FLOW NEEDS OF THE PERSON WITH THE DISABILITY

Not only does the advisor need to consider the future cash flow needs of the client retiring, but also that of any individuals dependent upon the client. The income needs depend on the type of disability, the capability of the individual needing care and the level of care required. Clients often have a difficult time thinking of their family member without them, but they must consider the following:

- Where will this person live?
- Will they need a caregiver?
- Will it be a group environment?
- Can they work?
- What kind of recreation programs will be available?
- How will transportation needs be met?
- Are final arrangements funded?

3. INVESTMENT ALLOCATIONS/DIVERSIFICATION

We help clients position their funds for the future. Now they need to have those funds last even longer than their own lifetimes. Even at their death, money must remain to fund at least one more family member, so the client is investing for three or more. A client may be able to withstand market fluctuation, but the funds needed for their family member may need to be invested more conservatively.

4. GOVERNMENT BENEFIT PROGRAM VERIFICATION

When the client retires, often the family member with a disability becomes eligible for social security under the record of the parent. This opens up the eligibility for Medicare for the person with the disability.

Many government programs will be key to financial security of the individual with the disability. The family must understand what these are, and make sure their family member qualifies and doesn't lose these benefits due to some inadvertent retirement planning mistake.

5. UNDERSTANDING OF LIMITATIONS ON ASSETS AND INCOME

Government rules and regulations are complicated and constantly changing. Making the wrong financial move when advising families on how to set up accounts for their family member with special needs can cost a great deal of money in lost benefits. That advisors understand the implications of where funds are established and maintained is critically important.

6. PROPER SPECIAL NEEDS ESTATE PLAN

In creating a comprehensive special needs plan, few things are more important than establishing a properly drafted special needs trust. While your client may feel more comfortable having the trust drawn up by their current attorney, this might be a bad idea. Hiring an attorney who lacks the needed expertise in this area can have a devastating effect on the long-term financial security of an individual with special needs. As this is one of the most critical pieces to the special needs plan, advisors must emphasize the need to have the right attorney perform this task, regardless of cost.

7. BENEFICIARY VERIFICATION

An inheritance gone awry will cause a great deal of headaches, including unneeded expense, and may even require a payback to the government. Verifying all beneficiaries in a client's estate is another key component that cannot be overlooked. Client pensions should be carefully reviewed; often a pension is payable to not only a spouse, but to a child with a disability upon the death of both parents. If this is not handled properly, government benefits may be lost.

8. THE EXTENDED FAMILY MEETING

Once a retirement plan has been developed, it needs to be shared with the extended family. Families may be hesitant to discuss their plan with other family members for any number

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of reasons. Advisors must convey to the family the importance of sharing this information. Doing so will ensure that their loved one receives consistent, comprehensive care.

9. FUTURE CAREGIVER INSTRUCTIONS

The client typically has already provided for their children by the time they have retired. So they are not worried about making sure guardians are in place for any young children. But when a client has a family member with a disability, guardianship must be considered and care instructions must be left behind. Guardians often have no idea what their jobs will be. The client should carefully document the needs and wants of his/her family member. This guidance should coordinate with the care plan, the cash flow, the retirement plan and the estate plan.

10. THE CALM MIDST THE STORMS

Families with individuals with special needs perform a complex juggling act every day. They must manage ongoing appointments with doctors, therapists and social workers; fill out endless government paperwork; and seek out recreational, social and even employment opportunities for their loved ones. Balancing all of these tasks can quickly overwhelm the best-intentioned family. Each family is impacted differently, depending upon the type of disability. So advisors must be sensitive to the fact that while their clients want and need their help, they need to be guided in a firm, yet gentle, manner, or the train can quickly come off the tracks.

Retirement planning is a key component to the advice we provide our clients. Understanding the needs of the client in their retirement is often much more encompassing in these situations. We have the opportunity to help our clients find not only a financially secure and fulfilling retirement for themselves, but also one that includes peace of mind. This in turn provides a lasting, meaningful relationship between the advisor and the clients they serve.

We at Protected Tomorrows recognize that not every financial advisor will have extensive special needs expertise. What advisors can do is acknowledge the entire family, ask the right questions and know the challenges these families face. Bring in the right team to help the family, and your client will acknowledge that you truly have their best interests at heart. ■■■