Ameriprise Financial

Financial planning

A guide for parents and caregivers of children with special needs

Taking a holistic look at your financial life

Ameriprise Financial has more than 120 years of history providing financial solutions to help clients plan for and achieve their financial goals. We take a personalized approach to financial advice, one that's based on an ongoing relationship with a advisor who knows you. We get to know what's most important to you and your family, and understand your goals, dreams and worries. The result? We help you feel more prepared for the future, both the expected and unexpected.

Every family situation is different and your unique needs will help shape your personal financial plan. Using our *Confident Retirement®* approach, you and your advisor will discuss all parts of your financial life and how they fit together, including:

- Leaving a legacy
- Preparing for the unexpected
- Ensuring lifestyle
- Covering essentials

This way, your advisor has a better understanding of your financial life and will offer meaningful advice and recommend solutions that are customized for your unique financial goals. And as your circumstances change over time, your advisor will be there to help you track your progress and adjust as your situation changes.

Planning to meet a lifetime of needs

As a parent or caregiver of a child with special needs, everyday expenses may be higher for you and you'll want to plan accordingly. You may be fortunate to have family or friends who help you care for your child, but you also need to know what it could cost if you don't have those people to rely on. For example, you may have to consider the cost of hiring a health care professional if conventional child care is not an option.

Here are some other important considerations:

- **How independent will your child be?** Your goals will be shaped to some extent by your child's outlook for the future. Will your child need 24-hour care? Will your child be able to handle basic living skills? Will your child eventually be able to join the workforce and live independently?
- **Will your child require financial assistance beyond your lifetime?** You may want to plan for your financial resources to last not only through your own lifetime but also through the lifetime of your child. Also, as your family situation changes over the years, how will this impact your ability to support your child financially?

1. What are your dreams for your child?
2. What brings them joy?
3. What does their future hold?

When you have a child who may require financial assistance throughout their life, planning for the future is too important to overlook. It's critical to consider both the child's needs as well as your own financial goals.

Financial planning, the process of defining your goals, developing a plan and tracking your progress, is an important step in making your future plans a reality.

- **Are you aware of the requirements that allow your child to qualify for government assistance?** The eligibility for government-provided financial assistance is based on such things as family income or the child's assets. Many people unintentionally do more harm than good by giving money directly to a special-needs child. By doing this, they increase the child's personal assets, which may disqualify them from government assistance and other programs. Keep in mind that under current statutes, it may be illegal to transfer your child's assets in order to qualify for medical assistance. Consult with your attorney on these issues.
- **Can you make contributions for your child to the new ABLE Program?** In 2014, the US Congress passed the "Stephen Beck, Jr., Achieving a Better Life Experience Act of 2014" (ABLE Act), and added section 529A to create the ABLE Program, a tax-advantaged savings program established and maintained by participating states for eligible special needs beneficiaries. The ABLE Program is similar to a 529 Plan, except that rather than helping fund a child's post-secondary education, the ABLE Program helps fund the needs of an eligible special needs beneficiary. You may wish to research your state's legislative plan to see if it has established an ABLE Program (or if it contracts with another state that has the program). Also, the law known as the Tax Cuts and Jobs Act added certain rules that are effective through and including Dec 31, 2025, please check with your Program to see how they have updated their offering.

Protecting what's important

An essential part of financial planning is adequate insurance coverage. This could be an issue if you're self-employed or in a job with less-than-adequate benefits. If this is your situation, government or other financial aid may be available to you.

In addition, consider these questions:

- **Will you need to maintain health insurance coverage for your child under your policy longer than it would otherwise be available?** This typically depends on the laws of your state and the terms of your health insurance plan. But, this option is only available if it's determined that your child is disabled before they attain a specified age (usually 26). Be sure to inform your insurer in writing before the applicable cutoff age.
- **Do you have adequate disability insurance?** If something should happen to you, you need to be sure that your source of income won't be cut off, or cash-flow problems could be critical.
- **What happens if you decide or need to change jobs?** Be sure to investigate your potential employer's health coverage. Employer group health plans can no longer deny coverage based on pre-existing conditions. However, you need to check whether your potential employer offers dependent coverage, as they are not required to do so. Also, if you accept a job in a different state, check into the health and social services system and requirements for receiving funding. Be upfront with your potential employer and discuss your child's condition. If you're unsure whether or not your child's medical needs will be covered, get assurances of medical coverage in writing. Also, consider the amount of vacation and sick leave you can take in your new position.

"It's not just about saving money.
I have to make sure her future is secure."

Managing your taxes

Managing taxes is especially important for parents or caregivers who support a child with special needs. You may be able to deduct the medical expenses of a person who is your dependent. Be sure to keep all of your receipts and medical statements for tax purposes.

Because you may only get a tax deduction to the extent that you itemize and your unreimbursed medical expenses exceed 10% of your adjusted gross income in 2019,* you may benefit by grouping all of your medical expenses into the same year if possible. Medical expenses must be for you, your spouse or your dependents in order to be deductible. Check with your tax adviser to see which of your expenses may be deductible.

Potential medical tax deductions include:*

- Expenses paid for an in-home nurse or other medically required in-home care
- The cost of attending a special school for mentally or physically challenged individuals, including meals and lodging
- Adapting, maintaining and operating medically required home improvements if the cost of the improvement is more than any increase in the value of your home
- Travel expenses made primarily for and essential to medical care
- The incremental cost of a vehicle specially adapted to accommodate wheelchair passengers, over the cost of a regular vehicle
- Wheelchairs and the cost of maintaining them
- Guide dogs or other service animals (including the cost of maintaining them), hearing aids and batteries, telephone and television adapters for the hearing-impaired, and the incremental cost of Braille books and magazines over the cost of regular printed editions

Other considerations:

- If you pay someone to care for your special needs child while you and your spouse work, look for work or while attending school full-time, a Child and Dependent Care Credit may be available for qualifying dependent care expenses. Also, if your employer offers a Dependent Care Assistance Program, you may enroll and pay eligible day care expenses on a pre-tax basis. You cannot use credit and employer money for the same dependent care expenses, so check with your tax advisor to see which option is most beneficial to you.
- Qualified higher education expenses at a postsecondary educational institution may be financed with an early distribution (before age 59½) from your IRA without the 10% penalty (ordinary income taxes may apply). This can include expenses for special needs services in the case of a special needs beneficiary that are incurred in connection with such enrollment or attendance. IRA distributions made for medical expenses in excess of 7.5%* of the individual's AGI also escape the 10% penalty.**
- You can continue to make contributions to a Coverdell Education Savings Account (ESA) for a special needs beneficiary even after they turn age 18. In addition, a distribution of any balance in a Coverdell ESA is not mandatory when a special needs beneficiary reaches age 30.

Creating the future you deserve

It's important to remember your own financial needs as you plan for the future. Keep these considerations in mind:

- **Are you saving for your own retirement?** Your financial security through retirement can help ensure the financial security of your child.
- **Do you have an emergency cash reserve?** As a parent or guardian of a child with disabilities, you may need to have more cash on hand than some families. It's likely that you'll face unexpected costs for travel expenses, medical fees above your insurance limit, specialized care and equipment, and other needs.
- **Do you have other long-term saving goals?** After your short-term needs are adequately covered, you may be able to allocate some money in long-term investments.

Preserving your wealth

Estate planning may be the most complex area of your financial plan. It's also the area where you'll probably need the most professional help. Estate planning often involves intricate legal, tax and public-assistance considerations. Because the laws that affect estate planning differ from state to state, you'll want to work with an attorney who specializes in planning for children with disabilities in the state where you live.

Here are some important estate-planning questions to ask:

- **Should you set up a trust rather than including your child directly in your will?** A special needs (or supplemental needs) trust can help pay some of your child's living expenses when benefits from publicly funded programs are insufficient. A trustee, chosen by you, uses the funds to benefit your child, according to your instructions and government regulations.
- **Should you leave money directly to your child with special needs?** You may feel guilty about not leaving anything directly to your child. However, money given to that child may unintentionally disqualify them from eligibility for state or federal programs and medical assistance.

Each state has its own rules for setting up wills and trusts. Talk with a legal professional and financial advisor to learn more about your options.

Financial planning for a lifetime

At Ameriprise Financial, we understand that you want the best possible care for your child. Talk to your Ameriprise financial advisor to learn how a comprehensive approach to financial planning can help you be prepared and confident about the future.

Additional resources:

National Council on Disability
1331 F Street N.W., Suite 850
Washington, D.C. 20004
202.272.2004
www.ncd.gov

The Arc
www.thearc.org

National Office:
The Arc of the United States
1825 K Street NW, Suite 1200
Washington, DC 20006
800.433.5255

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* In 2019, all taxpayers are subject to a 10% adjusted gross income floor for deducting medical expenses unless Congress acts.

** The 10% early withdrawal penalty does not apply to a distribution used to pay medical expenses to the extent that a deduction is allowable (without regard to whether the individual itemizes deductions).

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