

Life Insurance Planning for Special Needs Beneficiaries



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If you are the spouse, parent or grandparent of a special needs individual, you have unique planning needs. While each family's situation is different, many financial and insurance plans center around three primary objectives:

- Protect the assets left to a special needs beneficiary
- Provide additional income to facilitate a better quality of life
- Prevent the loss of government benefits, including Supplemental Social Security and Medicaid

MetLife Investors, through its nationwide network of Regional Vice Presidents, helps clients to preserve and protect their wealth with an array of sophisticated insurance planning and gifting strategies.

Picture This*

Bill, age 31, was born with Down Syndrome. He received payouts from Social Security Insurance and Medicaid until his grandmother died. Upon her death, Bill received an inheritance of \$200,000 outright. As a result, Bill became disqualified from receiving any government assistance. When the inheritance was used up quickly for his care, Bill had to re-qualify for government benefits.

Had Bill's parents and/or grandmother planned properly, Bill would have been able to keep most or all of his government benefits, while using the inheritance to improve his quality of life. With proper planning techniques, Bill could have benefitted from the inheritance for the rest of his lifetime, in the way that his grandmother wished.

Consider Your Options

Supplemental Social Security Insurance (SSI) and/or Medicaid are often the primary sources of funds for those with special needs. In many cases, losing these governmental resources could be devastating, making protection of benefits an important component of any financial or insurance plan.

To protect a disabled family member from a reduction or loss of government benefits such as SSI and Medicaid, one must plan differently from most families. In many states, without proper planning, disabled family members may inherit property only to be disqualified from receiving government benefits. Proper planning can help protect the assets you leave to a family member with special needs.

* This hypothetical is for illustrative purposes only.



Planning for a special needs individual requires preparation, careful research and experienced professional guidance.

Outright Bequests and Gifts

You can make direct gifts to a disabled individual during your lifetime or include provisions for the transfer of assets to the individual in your will or trust. However, a gift or bequest becomes an "available asset" for any governmental agency providing need-based benefits, such as SSI or Medicaid, requiring the asset to be spent for the individual's care. As a result, enjoyment of the assets by the beneficiary may be minimal and short-lived.

Management of the assets may create additional difficulties. In some cases, the individual receiving the assets may not be able to manage financial matters and may become a target for financial abuse.

Creating a Trust

Establishing a trust can provide an effective means of managing and protecting the assets you leave to a disabled beneficiary, while at the same time allowing the disabled individual to qualify for SSI, Medicaid and other government-funded programs. For many people, this is the most effective way to help and provide for a loved one. A carefully drafted trust holds assets in a form that will be available to provide for additional needs of the disabled family member and will supplement government benefits.

Setting up a trust provides a means of combining resources from government-funded programs with private resources. By obtaining additional funds from a trust, the disabled individual can enjoy a better standard of living than could be obtained solely by use of a government-funded program. Establishing a trust may also help avoid court intervention by specifying in the trust documents who will manage the disabled individual's assets in trust.

Supplemental Needs Trust

A Supplemental Needs Trust is a trust created for a disabled beneficiary which supplements government benefits such as SSI and Medicaid. Several options exist that may allow the trust to be funded with proceeds obtained by the disabled person through an inheritance, life insurance claim, or assets belonging to a third party.

The “third party” Supplemental Needs Trust is established for a disabled person with funds from someone other than the disabled person, the disabled person’s spouse, or someone legally responsible for the expenses of caring for the disabled person. These are commonly created by parents of an adult disabled child or grandparents of a minor who are not legally responsible for the disabled child’s care. Upon the death of the disabled beneficiary, the principal and income remaining in the trust can pass to another beneficiary without the requirement of paying back the government for benefits provided to the disabled beneficiary.

Using Life Insurance to Fund the Trust

Life Insurance can be an effective means to fund a Supplemental Needs Trust. Once owned by a properly-drafted trust, life insurance

death benefits are income and estate tax-free. The trustee of this trust would manage the life insurance death benefit for the special needs individual.

The trustee chosen must have the time, skill, judgement and objectivity to handle important tasks such as investment management of trust assets, distribution of income, bill-paying and preparation of trust tax returns. The trustee could be a corporate trustee, family member or friend, or a combination of the two. Often, the center-piece of a good insurance plan is the inclusion of specific language in the body of the trust to ensure the life insurance trust supplements the disabled beneficiary’s government benefits.

In Summary

By implementing proper insurance planning techniques, you can help assure that a special needs family member remains qualified and eligible for government entitlement programs, while protecting the individual’s inheritance.

Your MetLife Investors representative can work with you and your team of advisors to develop a plan that can help a disabled family member receive maximum resources to improve his/her quality of life. ■

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Loans or withdrawals will decrease the cash value and death benefit.

Life insurance is medically underwritten, so all candidates should be in reasonably good health. You should not cancel your current coverage until your new coverage is in force. Surrender charges may be due on an exchange of one contract for another. A change in policy may require an examination. Surrenders may be taxable. There may be partial and/or full surrender charges for early withdrawal from life insurance.

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- Not Guaranteed By Any Bank Or Credit Union • May Go Down In Value

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