

10-STEP GUIDE TO SECURING FINANCIAL FUTURE FOR FAMILY WITH SPECIAL NEEDS

STEP 1: EMERGENCY FUND: "Building a Financial Safety Net: Secure Your 3-6 Months' Emergency Cushion"

"An emergency fund is not an optional expense; it's a mandatory one. Life is full of surprises, and being financially prepared for them is a key pillar of financial wellness." - Suze Orman

"Think of your emergency fund as a financial seatbelt - you may not use it every day, but it's there to protect you when unexpected events occur." - Dave Ramsey

Saving 3-6 months' worth of emergency funds is a fundamental financial step that provides a safety net during unexpected situations. This reserve allows individuals and families to cover essential expenses when faced with unexpected job loss, medical emergencies, or unforeseen financial challenges. It serves as a critical buffer, preventing the need to resort to high-interest loans, deplete retirement savings, or compromise long-term financial goals during times of crisis.

For families with special needs, the importance of maintaining a robust emergency fund is even more pronounced.

Individuals with special needs often require specialized care, medical treatments, therapies, and accommodations that can incur significant costs.

These families navigate a unique set of challenges, and having a well-funded emergency fund provides the financial flexibility necessary to address unexpected medical bills, changes in caregiving needs, or sudden disruptions to routines. In such cases, an ample emergency fund not only safeguards financial stability but also ensures that the best care and support can be provided to the individual with special needs, without placing undue strain on the family's financial resources.

STEP 2: PAY ALL Debts Except for the Mortgage: Eliminating all outstanding debts except for the mortgage of your home.

"Better to go to bed hungry than to wake up in debt" - Benjamin Franklin

Clearing all debts except for the mortgage means being debt-free, except for the loan that you took to buy your home. This can help you save money on interest payments and improve your overall financial health.

Prioritizing debt elimination, excluding the mortgage, is particularly crucial for families with special needs children to ensure financial stability and focus resources on essential care and support. It will also provide financial freedom and Reduced stress which is critical for family with special needs.

Here are some tips for families who are trying to clear their debts:

- Understand what you owe and how much you owe.
- Track all your expenses and you have a good understanding of where your money is going
- Cut back on expenses
- Create a budget and stick to it.
- Pay off your debts with the highest interest rates first.

STEP 3: Secure the Family with the right insurance.

Safeguard your family's future by securing the right insurance coverage

"Insurance is not just about protecting yourself financially, it's also about protecting your family's peace of mind." - Charles Schwab

"The best way to protect your family is to have the right insurance in place. This will help you financially if something unexpected happens." - Suze Orman

Safeguarding family with tailored insurance coverage takes on heightened significance for families with special needs.

This strategic step provides a vital layer of financial security, ensuring that our loved one's unique requirements are met even in our absence.

Appropriate insurance not only safeguards their medical and therapeutic needs but also guarantees the continuity of their specialized care, offering reassurance during challenging times. It's a tangible way to fortify their well-being and grant you peace of mind

- **Health Insurance:** Health insurance is essential to cover medical expenses, therapies, medications, and doctor visits. You can obtain health insurance through your employer, the Health Insurance Marketplace (under the Affordable Care Act), or government programs like Medicaid or the Children's Health Insurance Program (CHIP).

For children with disabilities, Medicaid can be particularly valuable because it may cover additional services and therapies beyond standard health insurance.

- **Life Insurance:** Parents or caregivers should consider life insurance to provide financial security for their child with special needs in case of their own untimely passing. A special needs trust (SNT) can be a beneficiary of the life insurance policy to ensure that the funds are used to support the child's needs without jeopardizing eligibility for government assistance programs like Supplemental Security Income (SSI) or Medicaid.

- **Disability Insurance:** Both short-term and long-term disability insurance can be crucial for parents or caregivers in case they become unable to work due to illness or injury. This ensures a continued income to support the family and provide for their child's needs.
- **Long-Term Care Insurance:** If your child with special needs may require long-term care, long-term care insurance can help cover the costs of assisted living facilities, in-home care, and other related expenses. Note that not all policies cover children, so it's important to explore your options.
- **Auto insurance:** This is essential to protect yourself and your family in the event of an accident. When you have a child with special needs, it's important to ensure that your auto insurance coverage is comprehensive and sufficient to cover potential medical expenses and legal liabilities resulting from accidents. Consider additional coverage options, such as underinsured/uninsured motorist coverage, which can provide extra protection if the at-fault party in an accident does not have adequate insurance.
- **Home insurance:** This can help protect your home and belongings in the event of a fire, flood, or other disaster. If your child has special needs, you may need to get a policy that covers the cost of modifications to your home to make it accessible for your child.
- **Homeowners or Renters Insurance:** If you own a home, homeowners insurance is crucial to protect your property and belongings from damage or loss due to various events like fire, theft, or natural disasters. If you rent your home, you can obtain renters insurance to cover your personal property and provide liability protection. Ensure that your policy includes sufficient coverage for any assistive devices or modifications you've made to your home to accommodate your child's needs.
- **Umbrella Insurance:** An umbrella policy provides additional liability coverage beyond the limits of your homeowners and auto insurance. This extra protection can be crucial in the event of a lawsuit or substantial claim, which could have a significant impact on your family's financial resources.

STEP 4: Setting up Special Needs Trust (SNT)

A special needs trust (SNT) is a legal arrangement that can help families with special needs children or adults. The purpose of an SNT is to provide financial support to the beneficiary without disqualifying them from government benefits, such as Medicaid and Supplemental Security Income (SSI).

Here are two main types of SNTs:

First-party SNT: This type of trust is funded with the beneficiary's own assets. This is typically done when the beneficiary has received a personal injury settlement or inheritance.

Third-party SNT: This type of trust is funded with assets from someone other than the beneficiary, such as a parent, grandparent, or friend.

The specific benefits of setting up an SNT will vary depending on the individual's circumstances.

However, some of the potential benefits include:

- **Protecting government benefits:** An SNT can help to protect the beneficiary's eligibility for government benefits, such as Medicaid and SSI. These benefits can be essential for providing the beneficiary with the care and support they need.
- **Providing financial security:** An SNT can provide financial security for the beneficiary, even after the death of the parents or other benefactors. This can help to ensure that the beneficiary has the resources they need to live a comfortable and independent life.
- **Giving the beneficiary control:** The beneficiary can have some control over how the funds in an SNT are used. This can help to ensure that the funds are used in a way that meets the beneficiary's needs and wishes.
- **Avoiding probate:** An SNT can avoid probate, which is the legal process of distributing a person's assets after their death. This can save time and money.
- **Legal Protection:** A well-structured SNT provides legal protection for your loved one's assets. It shields the assets from potential creditors, lawsuits, and other financial risks, ensuring that the funds are dedicated solely to your loved one's care and support.
- **Flexibility:** An SNT can be tailored to your loved one's specific needs and circumstances. It allows you to adapt the distribution of funds over time based on changing requirements, ensuring that they receive the right support at every stage of their life.
- **Peace of Mind:** Knowing that your loved one's financial future is secure brings peace of mind. It allows you to focus on enjoying your time together and advocating for their well-being without constantly worrying about financial matters.
- **Estate Planning:** Incorporating an SNT into your estate plan demonstrates your commitment to your loved one's lifelong care. It ensures that your wishes are legally upheld and followed, providing direction to caregivers and future trustees.

If you are considering setting up an SNT, it is important to speak with an attorney who specializes in special needs planning. They can help you to determine if an SNT is right for your family and to create an SNT that meets your specific needs.

Here are some additional things to consider when setting up a special needs trust:

- The specific needs of the beneficiary.
- The amount of money that will be placed in the trust.
- The type of trust that is best suited for the beneficiary's needs.
- The terms of the trust, such as who will be the trustee and how the funds can be used.
- By carefully considering these factors, we can help to ensure that our special needs child or adult will have the financial security they need to live a happy and fulfilling life.

STEP 5: Saving for Retirement, make the most of employer matching contributions.

If your employer offers matching contributions, it is important to take advantage of them. This is one of the easiest ways to boost your retirement savings and reach your retirement goals.

Here are some advantages:

- **Free money:** Employer matching contributions are essentially free money. Your employer will match your contributions up to a certain percentage of your salary, so every dollar you contribute is essentially worth two.
- **Increased savings:** By making the most of your employer matching contributions, you can significantly increase your retirement savings. For example, if your employer matches your contributions up to 50% of your salary and you contribute 6% of your salary, your employer will match 3% of your salary, which is a 50% increase in your savings.
- **Tax benefits:** Your contributions to your retirement plan are tax-deductible, which means you can reduce your taxable income by the amount you contribute. This can save you money on your taxes each year.
- **Long-term growth:** Your retirement savings will grow over time as the investments in your plan appreciate in value. This means that your money will have more time to grow and compound, which can help you reach your retirement goals.

Here are some additional tips for making the most of your employer matching contributions:

- Contribute the maximum amount that your employer will match. This is the best way to maximize your free money.
- Start contributing early. The sooner you start contributing, the more time your money has to grow.
- Invest your contributions wisely. Choose investments that are appropriate for your risk tolerance and time horizon.
- Don't touch your retirement savings. Your retirement savings should be for retirement, so don't touch it unless it is an emergency.

STEP 6: Maxing out your Health Savings Account (HSA)

Maxing out your health savings account (HSA) is a great way to save for future medical expenses. The maximum contribution for 2023 is \$3,850 for self-only coverage and \$7,750 for family coverage.

If you are not able to max out your HSA account, don't worry. Even a small amount of savings each month can add up over time.

If you have a high-deductible health plan, an HSA can be a great way to save money on your medical expenses. You can use your HSA to pay for qualified medical expenses, such as doctor's visits, prescription drugs, and medical supplies. You can also use your HSA to pay for long-term care expenses.

Health Savings Accounts (HSAs) can be a valuable tool for families with special needs children. Here are a few reasons why:

- **Special needs children can have high medical expenses:** The cost of healthcare for children with special needs can be much higher than for children without special needs. This is because they may need specialized care, such as therapy or medication.
- **HSAs can help families save money on medical expenses:** Contributions to HSAs are tax-deductible, and withdrawals are tax-free if used to pay for qualified medical expenses. This can help families save money on their taxes and on their medical bills.
- **HSAs can be used to pay for long-term care:** Long-term care can be expensive, and HSAs can be used to pay for it. This can be especially helpful for families with special needs children, who may need long-term care later in life.
- **HSAs can be used to save for retirement:** After age 65, HSAs can be used to pay for any purpose, including retirement. This can help families with special needs save for their retirement, even if they have high medical expenses.

Health Savings Account (HSA) and 401(k) are both tax-advantaged retirement accounts.

- **Tax benefits:** Contributions to both HSAs and 401(k)s are tax-deductible, which means you can reduce your taxable income by the amount you contribute.
- **Growth potential:** The money in both accounts grows tax-free, so you don't have to pay taxes on the investment earnings.
- **Portability:** Both accounts are portable, which means you can take them with you if you change jobs or retire.
- **Can be used for retirement:** After age 65, you can withdraw money from both accounts for any purpose without penalty. However, you will have to pay taxes on the withdrawals if you do not use them for qualified medical expenses (in the case of an HSA) or retirement (in the case of a 401(k)).
- **Withdrawal rules:** Withdrawals from an HSA are tax-free if used to pay for qualified medical expenses. Withdrawals from a 401(k) are tax-free if used for retirement.

STEP 7: Max out retirement accounts

After taking advantage of employer matching contributions, maxing out retirement accounts is a smart financial move for many families, including those with special needs children. It helps secure your financial future while potentially providing additional benefits for your child.

Among the most popular retirement accounts are employer-sponsored plans, such as 401(k)s and Roth 401(k)s, which offer tax advantages.

Be mindful of the tax implications of your retirement accounts. Depending on your income and the type of retirement account (traditional vs. Roth), you may receive different tax benefits. Consult with a tax advisor to determine the most tax-efficient strategy for your family.

Quick summary of different types of Accounts

- **401(k):** Immediate tax benefits and tax-free growth. But taxes are due when the money is withdrawn.
- **Roth 401(k):** No immediate tax benefit, tax-free growth and no taxes due on withdrawal.
- **Traditional IRA:** Immediate tax benefits and tax-free growth. But taxes are due when the money is withdrawn. Deductibility is phased out over certain income levels so check the IRS website for updates.
- **Roth IRA:** No immediate tax benefit, tax-free growth and no taxes due on withdrawal. Eligibility to contribute phases out over certain income limits.

STEP 7: Fund ABLE Account

An ABLE account, also known as an Achieving a Better Life Experience account, is a tax-advantaged savings account for individuals with disabilities. It allows them to save money for qualified disability expenses without affecting their eligibility for government benefits, such as Medicaid and Supplemental Security Income (SSI).

To be eligible for an ABLE account, the individual must have a qualified disability, which is defined as a physical or mental impairment that substantially limits one or more major life activities. The individual must also be a U.S. citizen or permanent resident.

There are two types of ABLE accounts:

- **State-run ABLE accounts:** These are administered by individual states. The specific rules and regulations for state-run ABLE accounts vary from state to state. The contribution limit is set by each state.
- **Federally-facilitated ABLE accounts:** These are administered by the U.S. Treasury Department. The rules and regulations for federally-facilitated ABLE accounts are the same across all states. The contribution limit is \$16,000 per year.

The money in an ABLE account can be used to pay for qualified disability expenses, which include:

- **Education:** This includes tuition, fees, books, supplies, and other expenses related to post-secondary education.
- **Housing:** This includes rent, utilities, and other housing-related expenses.
- **Transportation:** This includes the cost of buying or leasing a car, public transportation, and other transportation-related expenses.
- **Healthcare:** This includes the cost of medical care, prescription drugs, and other healthcare-related expenses.
- **Employment training and support:** This includes the cost of job training, job placement services, and other employment-related expenses.
- **Assistive technology:** This includes the cost of assistive devices, such as wheelchairs, hearing aids, and other devices that help individuals with disabilities function independently.
- **Personal support services:** This includes the cost of in-home care, respite care, and other services that help individuals with disabilities with their daily activities.
- **Financial management and administrative services:** This includes the cost of fees associated with maintaining an ABLE account.

STEP 8: Check if you qualify for Federal Programs

You can enquire if you qualify for federal programs on income and disability. If you do qualify, you can get some cash per and also Food Stamps.

Here are some programs that are most common.

Supplemental Security Income (SSI): It gives monthly cash payments to individuals with disabilities who have limited income and resources. Its eligibility is based on the individual's disability and financial need.

Social Security Disability Insurance (SSDI): It gives monthly cash benefits for individuals with disabilities who have a sufficient work history or whose parents have a work history.

Food Stamp: also known as the Supplemental Nutrition Assistance Program (SNAP), is a federal program that provides food-purchasing assistance to low-income individuals and families.

STEP 9: Check other State Funding or grants or scholarships

Almost every state has some program for children with disabilities. You can do google search “developmental disabilities funding” and the name of your state.

There are many national grants, and many more local grant programs available for children with ASD for various funding. You can google search for “autism scholarship” or “autism grant” and your state.

STEP 10: Look for Tax Deductions

All medical appointment travel and costs, all disability-related reading materials, all therapists and therapy equipment, special diet foods, and much more, can be deducted on your taxes. Keep all your receipts.