

Tuesday, 2:30 – 4:00, C5

Basics of a Special Needs Trust

Thomas Doyle

517-323-7366 tdoyle@doylelawpc.com

Marc Merritt, CFP®, CRPC®, CSNA

517-324-4639 marc_merritt@ml.com

Objectives:

1. Develop strategies for planning a special needs trust.
2. Discuss laws and investments relevant to a special needs trust.

Notes:

Families of children with disabilities

Special needs planning workbook

Introduction

Special Needs Financial Services would like to congratulate you on taking the first step toward a secure financial future for your family and your child with special needs.

The material in this workbook, one of several tools offered by Special Needs Financial Services, asks you to think critically about every aspect of your finances. Once you have completed the sections on the pages that follow, you will have developed a framework for helping you pursue your financial goals.

The information and figures you provide on the following pages should be reviewed and adjusted on an annual basis. Revisiting this information regularly will help to ensure that your financial strategy evolves with your child's and your family's financial needs. The workbook can also be used as a guide to discuss elements of your financial situation with your Merrill Lynch Financial Advisor.

To learn more about the services available for families of children with disabilities, please talk with your Financial Advisor, visit www.ml.com/specialneeds or call (877) 456-7526.

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Instructions for using this workbook

This Special Needs Planning Workbook is intended to help you create an action plan that will guide you through the special needs planning process. It includes sections on the five major planning components of a good financial strategy: Lifestyle, Estate Planning, Portfolio Management, Family Protection and Liability/Cash Flow Management.

As you go through each section, you may find that you have not addressed all the items listed, or you still have some outstanding tasks to complete. At the end of each section, you can write the most important or the most pressing of these tasks on the lines that ask for "Actions Required." Once you have completed the entire workbook, list your actions required in the appropriate spaces on page 8, Special Needs Action Plan. Then assign an order of priority to each of the actions. Completing this page essentially provides you with an action plan for addressing your special needs concerns.

Before you get started, ask yourself if your current financial strategy addresses the five major planning components:

- | | | |
|----------------------------------|------------------------------|-----------------------------|
| • Lifestyle | <input type="checkbox"/> Yes | <input type="checkbox"/> No |
| • Estate planning | <input type="checkbox"/> Yes | <input type="checkbox"/> No |
| • Portfolio management | <input type="checkbox"/> Yes | <input type="checkbox"/> No |
| • Family protection | <input type="checkbox"/> Yes | <input type="checkbox"/> No |
| • Liability/Cash Flow management | <input type="checkbox"/> Yes | <input type="checkbox"/> No |

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Are Not FDIC Insured	Are Not Bank Guaranteed	May Lose Value
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Lifestyle

Your lifestyle should take into account not only your future but your child's as well. So as you anticipate how much you'll need to live into your 90s, you have to make sure your assets last through your child's life expectancy.

Letter of Intent

A Letter of Intent should describe your family's and your child's wishes for the future once you are gone, and should include pertinent information about your child's history, medical needs, preferences regarding living arrangements, and hobbies and interests. The letter might not answer every question that arises concerning your child's care, but it will serve as a valuable guide for your Financial Advisor, attorneys and future care providers.

Have you drafted a Letter of Intent that explains your vision of your child's quality of life?

☐ Yes ☐ No If yes, when was the Letter of Intent last updated? _____

Are all involved individuals still willing and able to perform their tasks as you expect?

☐ Yes ☐ No

What is your child's current living arrangement?

- ☐ Established and unlikely to change in the foreseeable future.
- ☐ Established but will change in 5 to 10 years.
- ☐ In transition. Unsure about what living arrangement will be.

Do you currently have out-of-pocket expenses for your child's care?

☐ Yes ☐ No If yes, how much? _____

How would your child's quality of life change if you no longer provided these funds?

- ☐ Dramatic change. I would not want my child to live in this manner.
- ☐ Mild change. Quality of life would be acceptable but not what I envisioned.
- ☐ No impact. Unsure about what living arrangement will be.

If no impact, do you expect to incur expenses in the future?

☐ Yes ☐ No

Do you know how much of your total estate you will need to leave for your child's care?

☐ Yes ☐ No

Retirement

If you are unsure that your current retirement strategy will provide you with an income that will help you reach your goals, you may want to consider ways to increase your income during retirement. This may include revising the asset allocations within your retirement portfolio, working longer or working during retirement, or lowering your retirement income expectations. Your Financial Advisor can provide you with a free Wealth Outlook analysis which, when used in conjunction with the Special Needs Calculator, will help you understand what your retirement lifestyle expectations should be.

Do you have a clear understanding of what your income will be during your retirement?

☐ Yes ☐ No If yes, what is your planned annual retirement income? \$ _____

Lifestyle *(continued)*

How confident are you that your retirement strategy is on track to provide you with the retirement you envision?

- ☐ Very confident. There is a greater than 80% probability that my current strategy will provide me with the retirement I envision.
- ☐ Confident. There is a 60% to 80% probability that my current strategy will provide me with the retirement I envision.
- ☐ Somewhat confident. There is a 50% to 60% probability that my current strategy will provide me with the retirement I envision.
- ☐ Not very confident. There is less than a 50% probability that my current strategy will provide me with the retirement I envision.
- ☐ I don't know.

Does your retirement strategy take into account ongoing expenses for your child?

- ☐ Yes ☐ No

Actions required:

Estate Planning

Estate planning ensures your child's continuity of care and the carrying out of your wishes once you are gone. Items in this section should be a high priority on your action plan. *Neither Merrill Lynch nor Merrill Lynch Financial Advisors provide tax or legal advice. Please consult your own tax advisor or attorney regarding your own particular estate planning situation.*

Which of the following documents are currently in place?

- | | | | |
|------------------------------------|------------------------------|-----------------------------|---|
| Will | <input type="checkbox"/> Yes | <input type="checkbox"/> No | <input type="checkbox"/> Reviewed by special needs attorney |
| Living trust for you | <input type="checkbox"/> Yes | <input type="checkbox"/> No | <input type="checkbox"/> Reviewed by special needs attorney |
| Special needs trust for your child | <input type="checkbox"/> Yes | <input type="checkbox"/> No | <input type="checkbox"/> Reviewed by special needs attorney |
| Conservatorship for your child | <input type="checkbox"/> Yes | <input type="checkbox"/> No | <input type="checkbox"/> Reviewed by special needs attorney |
| Durable power of attorney | <input type="checkbox"/> Yes | <input type="checkbox"/> No | <input type="checkbox"/> Reviewed by special needs attorney |
| Medical directive | <input type="checkbox"/> Yes | <input type="checkbox"/> No | <input type="checkbox"/> Reviewed by special needs attorney |

Have you named someone as the person to be responsible for your child's daily care?

- ☐ Yes ☐ No If yes, whom? _____

Have you named someone as the person who has the authority to oversee your child's financial affairs once you are gone?

- ☐ Yes ☐ No If yes, whom? _____

Actions required:

Portfolio Management

Due to the nature of the financial demands placed on your household, your family needs to have a strategy in place that considers as much as possible, without leaving anything to chance. Ask your Financial Advisor about our Wealth Outlook Asset Allocation analysis, a tool that can assist you in prioritizing your financial objectives, evaluating your risk tolerance and selecting an asset allocation strategy that balances your tolerance for risk with the returns you seek.

How do you describe your relationship with your Financial Advisor?

- ☐ My Financial Advisor understands my family's special needs situation very well. I feel confident that my financial strategy takes into account my entire family's needs for a secure future.
- ☐ My Financial Advisor is aware that I have a child with special needs. My financial strategy takes into account some special needs concerns, but I'm unsure about how it affects my entire family's future.
- ☐ My Financial Advisor is aware that I have a child with special needs, but special needs concerns were not taken into account during the development of my financial strategy.

How much do you keep in short-term investments for emergencies?

- ☐ More than one year's living expenses.
- ☐ About one year's living expenses.
- ☐ Less than one year's living expenses.
- ☐ I don't know.

How do you describe your approach to investing?

- ☐ Active participant. I discuss each transaction with my Financial Advisor.
- ☐ Hands-off. I defer to investment professionals.
- ☐ Self-directed. I manage my investments without professional advice or input.

Given your current blend of stocks, bonds and cash, could you draw enough money to cover your child's out-of-pocket expenses through his or her lifetime?

- ☐ Yes ☐ No

Given your current blend of stocks, bonds and cash, could you withstand a major market correction without significant impact to your income needs?

- ☐ Yes ☐ No

Have you delegated the day-to-day management of your portfolio to investment managers?

- ☐ Yes ☐ No

Are you responsible for the selection of individual stocks for your portfolio on a day-to-day basis?

- ☐ Yes ☐ No If yes, who will take over when you are unable to perform this duty? _____

Actions required:

Family Protection

Have you thought about your child's future living arrangements? What role will guardians, trustees, durable powers of attorney and advocacy groups play in your child's and your family's future? Have you reviewed health insurance sources, such as group plans, Medicaid and Medicare? For families of children with disabilities, the issues concerning family protection go far beyond a smooth transfer of assets to your heirs. Review the Beneficiary Checklist on page 9.

How much life insurance do you currently have?

Insured	Death benefit	Type of Insurance			
_____	_____	<input type="checkbox"/> Term	<input type="checkbox"/> Universal life	<input type="checkbox"/> Whole	<input type="checkbox"/> Second to die
_____	_____	<input type="checkbox"/> Term	<input type="checkbox"/> Universal life	<input type="checkbox"/> Whole	<input type="checkbox"/> Second to die
_____	_____	<input type="checkbox"/> Term	<input type="checkbox"/> Universal life	<input type="checkbox"/> Whole	<input type="checkbox"/> Second to die
_____	_____	<input type="checkbox"/> Term	<input type="checkbox"/> Universal life	<input type="checkbox"/> Whole	<input type="checkbox"/> Second to die
_____	_____	<input type="checkbox"/> Term	<input type="checkbox"/> Universal life	<input type="checkbox"/> Whole	<input type="checkbox"/> Second to die

Are you confident that the amount of coverage you have is adequate?

☐ Yes ☐ No

Are any of your insurance policies intended to fund a Special Needs Trust?

☐ Yes ☐ No If yes, is the beneficiary designation correct? _____

Are you insured against a temporary or permanent disability?

☐ Yes ☐ No

Do you have long-term care insurance to preserve your estate in the event you should need custodial care?

☐ Yes ☐ No

Actions required:

Liability/Cash Flow Management

Managing your liability and cash flow can be as important as managing your assets. In a family of a child with a disability, you should consider how household debt affects all members of the family. Remember to avoid excessive credit card and installment debt.

How much debt do you currently support?

Lender	Type of debt	Balance	Payoff date
_____	<input type="checkbox"/> Credit card <input type="checkbox"/> Installment <input type="checkbox"/> Mortgage <input type="checkbox"/> Other	_____	_____
_____	<input type="checkbox"/> Credit card <input type="checkbox"/> Installment <input type="checkbox"/> Mortgage <input type="checkbox"/> Other	_____	_____
_____	<input type="checkbox"/> Credit card <input type="checkbox"/> Installment <input type="checkbox"/> Mortgage <input type="checkbox"/> Other	_____	_____
_____	<input type="checkbox"/> Credit card <input type="checkbox"/> Installment <input type="checkbox"/> Mortgage <input type="checkbox"/> Other	_____	_____
_____	<input type="checkbox"/> Credit card <input type="checkbox"/> Installment <input type="checkbox"/> Mortgage <input type="checkbox"/> Other	_____	_____
_____	<input type="checkbox"/> Credit card <input type="checkbox"/> Installment <input type="checkbox"/> Mortgage <input type="checkbox"/> Other	_____	_____
_____	<input type="checkbox"/> Credit card <input type="checkbox"/> Installment <input type="checkbox"/> Mortgage <input type="checkbox"/> Other	_____	_____
_____	<input type="checkbox"/> Credit card <input type="checkbox"/> Installment <input type="checkbox"/> Mortgage <input type="checkbox"/> Other	_____	_____
Total		_____	

Do you currently have an annual budget?

☐ Yes ☐ No If yes, does your budget include line items for savings? _____

Actions required:

Special Needs Action Plan

Order of priority	Lifestyle issues to address	Whom to contact	Target date	Completion date
	Estate Planning issues to address			
	Portfolio Management issues to address			
	Family Protection issues to address			
	Liability Management issues to address			

Scenario

Unexpected inheritance

A favorite aunt dies and unexpectedly bequeaths \$300,000 directly to your child. You are named custodian of the assets and decide to put the money in a checking or savings account that earns a small amount of interest each year. As a parent, you draw directly from this account to pay for your child's expenses but keep the account in your child's name.

Consequences of not planning

As the owner of the account, your child may become ineligible for government benefits. In some cases, the assets in the account would then need to be depleted before your child would be able to reapply for such benefits. You and your child could miss the opportunity to use these assets to supplement your child's quality of life. In addition, you might find it necessary to pull from assets that you may have had earmarked for other family members, creating an undue financial burden on them as well. The aunt's original gift is gone, and her legacy is lost to the rest of the family.

Have you addressed the following special needs planning issues?

- Family members have received instructions on how to leave gifts. ☐ Yes ☐ No
- Assets are not put in your child's name so government benefits can be preserved without interruption. ☐ Yes ☐ No
- Bequeathed gifts are providing annual income to ensure your child's quality of life or offset cuts in government benefits. ☐ Yes ☐ No
- A nonprofit organization or family members are the beneficiaries of assets after your child passes away. ☐ Yes ☐ No

Beneficiary Checklist

An overlooked beneficiary designation can void all the planning you have done to help ensure your child's quality of life when you are gone. Consider the following issues annually as you review your overall financial situation.

- ***Don't assume anything.*** Just because you asked someone to change a beneficiary doesn't mean it was changed. Make sure you get written confirmation on how the beneficiary statement reads.
- ***Indicate both primary and contingent beneficiaries.*** Administrative clerks sometimes ask you to provide the name of your primary beneficiary, then fail to ask you to provide a contingent beneficiary. Or they complete the contingent beneficiary section by inserting something vague such as "surviving heirs." Be sure to designate both primary and contingent beneficiaries.
- ***Pay attention during periods of life transition.*** This is when most mistakes occur. If you are changing jobs or financial institutions, or the company with which you do business gets sold, review your beneficiary designations.
- ***Share information with relatives.*** Make sure your relatives are aware of how to name your child as a beneficiary. Let them know that instructions such as "all surviving grandchildren equally" can cause problems.
- ***Be thorough in reviewing the following types of accounts:***
 - Life insurance, both personal and work
 - Retirement accounts (for example, employer, 401(k), IRA, Roth IRA, deferred compensation, and executive compensation plans)
 - Tax-deferred annuities
 - Pension benefits, especially benefits that guarantee a minimum of payments
 - Wills, trusts and Letters of Intent

Special Needs Calculator

The Special Needs Calculator helps you estimate how much you will need to help preserve the financial security of your child with a disability. Visit www.ml.com/specialneeds to see how the Special Needs Calculator can:

- Help begin the special needs planning process
- Identify a surplus or shortfall relating to the financial security of a child with special needs
- Run “what if” scenarios

The Special Needs Calculator can provide five assumptions:

- Expected income of a child with special needs over a certain period of time
- Projected expenses for a child with special needs
- Number of years to parents’ retirements
- Projected years of income for a child with special needs
- Projected life expectancy of a child with special needs

The Special Needs Calculator Worksheet on the next two pages gives you the opportunity to generate estimates based on your experience and to compare those estimates with your assumptions. Once you complete the information on pages 11 and 12, transfer each section’s “Total” amount to the Income Details and Expense Details section of the Results page in the Special Needs Calculator.

Resources and solution providers:

- www.ml.com/specialneeds
- Teams led by Financial Advisors with the Certified Special Needs Advisor designation
- Trustee alternatives
- Partnerships with outside special needs professionals
- Others: _____

Special Needs Calculator Worksheet

Transfer only each section's "Total" amount to the Special Needs Calculator.

Beneficiary's projected annual income

Salary/Wages	\$	_____
Federal government benefits	\$	_____
State government benefits	\$	_____
Retirement income	\$	_____
Investment income	\$	_____
Legal settlements	\$	_____
Other	\$	_____
Total	\$	_____

Beneficiary's projected monthly housing expenses

Mortgage/Rent	\$	_____
Property taxes	\$	_____
Home insurance	\$	_____
Electric and gas	\$	_____
Water and sewer	\$	_____
Telephone	\$	_____
Repairs/Maintenance	\$	_____
Snow removal/Lawn care	\$	_____
Other	\$	_____
Total	\$	_____

Beneficiary's projected monthly transportation expenses

Auto payment	\$	_____
Auto insurance	\$	_____
Fuel/Oil	\$	_____
Auto repairs/Maintenance	\$	_____
Bus/Taxi/Train/Air/Public transportation	\$	_____
Other	\$	_____
Total	\$	_____

Beneficiary's projected monthly personal expenses

Necessities		_____
Food at home	\$	_____
Food away from home	\$	_____
Clothing purchases	\$	_____
Dry cleaning	\$	_____
Education expenses	\$	_____
Employment expenses	\$	_____
Medical/Dental insurance	\$	_____
Medical/Dental nonreimbursed	\$	_____

Special Needs Calculator Worksheet *(continued)*

Beneficiary's projected monthly personal expenses (continued)

Life insurance premiums	\$ _____
Prescription drugs	\$ _____
Eyeglasses/Contact lenses	\$ _____
Care assistants/Domestic help	\$ _____
Adaptive technology	\$ _____
Environmental modification	\$ _____
Computer software	\$ _____
Professional expenses	\$ _____
Loan repayments	\$ _____
Tax-deferred planning contributions	\$ _____
Tax payments	\$ _____
Other	\$ _____
Total	\$ _____

Other expenses

Television and subscription services	\$ _____
Newspapers and periodicals	\$ _____
Books	\$ _____
Vacations	\$ _____
Camps	\$ _____
Pet care	\$ _____
Membership/Clubs	\$ _____
Instructions/Lessons	\$ _____
Sports/Hobbies	\$ _____
Entertainment	\$ _____
Other	\$ _____
Total	\$ _____

Beneficiary's projected future asset replacement expenses (estimate the useful life in years, divide the cost by the useful life and then divide by 12)

Car	\$ _____
Furniture	\$ _____
Major appliances	\$ _____
TV/VCR/DVD player	\$ _____
Camcorder	\$ _____
Computer	\$ _____
Other	\$ _____
Other	\$ _____
Total	\$ _____

Beneficiary's life expectancy _____ years

Provider's years to retirement _____ years

Special Needs Profile

Description of condition

Letter of Intent

Agencies/Service providers

Estate planning

Trustee/Guardian information

Special circumstances

Special Needs Profile *(continued)*

Financial Advisor contact information

NAME		
STREET ADDRESS		
CITY	STATE	ZIP CODE
TELEPHONE (WORK)		TELEPHONE (HOME)
E-MAIL (WORK)		E-MAIL (HOME)

Attorney contact information

NAME		
STREET ADDRESS		
CITY	STATE	ZIP CODE
TELEPHONE (WORK)		TELEPHONE (HOME)
E-MAIL (WORK)		E-MAIL (HOME)

Personal Information

Client 1

NAME

ADDRESS

CITY

STATE

ZIP CODE

SOCIAL SECURITY NUMBER

DATE OF BIRTH

MARITAL STATUS

OCCUPATION

EMPLOYER

TELEPHONE

BUSINESS TELEPHONE

FAX

E-MAIL

☐ Will ☐ Trust ☐ POAs ☐ Financial plan

NAME OF FINANCIAL PLAN

WHEN DO YOU PLAN TO RETIRE?

Client 2

NAME

ADDRESS

CITY

STATE

ZIP CODE

SOCIAL SECURITY NUMBER

DATE OF BIRTH

MARITAL STATUS

OCCUPATION

EMPLOYER

TELEPHONE

BUSINESS TELEPHONE

FAX

E-MAIL

☐ Will ☐ Trust ☐ POAs ☐ Financial plan

NAME OF FINANCIAL PLAN

WHEN DO YOU PLAN TO RETIRE?

Income Information

Client 1

SALARY
EXPLANATION

Permanent income

SOCIAL SECURITY
PENSIONS
TOTAL PERMANENT INCOME
DO YOU DRAW MONEY FROM YOUR MERRILL LYNCH ACCOUNTS?
OTHER INCOME
SPECIAL CIRCUMSTANCES THIS YEAR

Retirement plans

IRA
ROTH IRA
401(k)/403(b)/457
EMPLOYER PLAN

Client 2

SALARY
EXPLANATION

Permanent income

SOCIAL SECURITY
PENSIONS
TOTAL PERMANENT INCOME
DO YOU DRAW MONEY FROM YOUR MERRILL LYNCH ACCOUNTS?
OTHER INCOME
SPECIAL CIRCUMSTANCES THIS YEAR

Retirement plans

IRA
ROTH IRA
401(k)/403(b)/457
EMPLOYER PLAN

Income Information *(continued)*

Client 1

Assets

Banks

NAME	\$	AMOUNT
NAME	\$	AMOUNT
NAME	\$	AMOUNT

Brokerage firms

NAME	\$	AMOUNT
NAME	\$	AMOUNT
NAME	\$	AMOUNT

Securities held by you

NAME	\$	AMOUNT
NAME	\$	AMOUNT
NAME	\$	AMOUNT

Insurance/Annuities

NAME	\$	AMOUNT
NAME	\$	AMOUNT
NAME	\$	AMOUNT

APPROXIMATE VALUE OF ALL ASSETS OUTSIDE MERRILL LYNCH	\$	AMOUNT
--	----	--------

Client 2

Assets

Banks

NAME	\$	AMOUNT
NAME	\$	AMOUNT
NAME	\$	AMOUNT

Brokerage firms

NAME	\$	AMOUNT
NAME	\$	AMOUNT
NAME	\$	AMOUNT

Securities held by you

NAME	\$	AMOUNT
NAME	\$	AMOUNT
NAME	\$	AMOUNT

Insurance/Annuities

NAME	\$	AMOUNT
NAME	\$	AMOUNT
NAME	\$	AMOUNT

APPROXIMATE VALUE OF ALL ASSETS OUTSIDE MERRILL LYNCH	\$	AMOUNT
--	----	--------

Current Financial Standing

Risk

☐ Conservative ☐ Moderate ☐ Aggressive

Asset Allocation

_____ % Stocks _____ % Bonds _____ % Cash

Do you feel you have adequately addressed the following financial concerns?

Retirement planning ☐ Yes ☐ No

Estate planning ☐ Yes ☐ No

Family protection ☐ Yes ☐ No

College funding ☐ Yes ☐ No

Notes: _____

How would you describe the purpose of your Merrill Lynch account?

☐ Future retirement ☐ Current income ☐ Wealth creation ☐ Other

Do you use MyMerrill.com®?

☐ Yes ☐ No

Are there any special transactions/services we provide for you?

☐ Yes ☐ No What are they? _____

Review/Schedule

CPA

Attorney

Now you can move forward.

To learn more about the Families of Children With Disabilities Program or to locate a Financial Advisor in the Special Needs Financial Advisor Network, contact one of our representatives at (877) 456-7526. For additional information about our services, please visit www.ml.com/specialneeds.



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