



# SPECIAL NEEDS HAWAII

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## Why Create a Special Needs Trust Before Your Child Turns 18?

Often, parents of children with special needs don't consider creating a special needs trust until their child turns 18 or sometimes even later, when the child requires government benefits like Medicaid or Supplemental Security Income (SSI). But special needs trusts are tremendously versatile instruments that can do much more than simply protect a person's access to government benefits. There are several reasons why parents don't have to wait until their child turns 18 to create a special needs trust for the child's benefit.

**Estate planning.** The number one reason to create a special needs trust before a child turns 18 is the same reason parents of children without special needs should have an estate plan -- to provide stability and security for their family members should something happen to them. Creating a special needs trust before a child needs it ensures that the trust is there when it *is* needed, regardless of what happens to the trust's creators. If parents of a child with special needs unexpectedly pass away having created a special needs trust, their estates will be held for the benefit of their child with special needs in a way that offers maximum flexibility for the child.

**Gifts.** Parents may want to establish a special needs trust for their minor child so that the child's relatives can fund it with gifts. In fact, this may be preferred, because the special needs trust will provide proper management of those assets. Older relatives intending to leave an inheritance for a child with special needs can also give the bequest directly to the trust. Planning ahead guarantees that if the child requires government benefits when he is older, he will not have large amounts of money in his name that could affect his eligibility.

**Life insurance.** Sometimes, parents of a child with special needs want to purchase a life insurance policy that will help pay for their child's care long after they are gone. Properly created special needs trusts can hold life insurance policies and manage the proceeds from those policies once the parents have died. Life insurance trusts are also good ways for parents with larger estates to reduce their estate tax liability. The earlier parents start funding the life insurance policy, the greater the benefit for their child with special needs. Since this funding can begin well before a child turns 18, it makes sense to create a special needs trust to hold the policy and its proceeds, even though the child is not yet receiving government benefits.

**Home ownership.** Special needs trusts can own homes for people with special needs, reducing the risks of placing property into the hands of someone who may not be able to properly maintain a home.

**Care management.** These trusts can provide care management as well as a structure for family involvement in the daily activities of a person with special needs. In addition, experienced special needs trustees serve as great resources for families seeking additional care options for their children.

Planning early and constantly updating and improving a special needs trust can be the difference between a moderately useful trust and an incredibly effective one. In most cases, the trust will be unfunded during the parents' lives, whether the child is over or under age 18, but having it available can be important for the reasons outlined above. A qualified special needs planner can help parents of younger children create and manage a suitable special needs trust that works for their child before, and after, the child turns 18.