

Calculating Expenses for Your Special Needs Child

Parents may have clear ideas about the out-of-pocket expenses involved in raising children. But that information alone is probably not enough to plan for the future of a child with special needs. Each child with special needs poses unique financial circumstances for those planning his or her future. While it would be impossible to create a definitive guide to expense planning in a simple article format, below is an outline of the necessary considerations for a parent of a special needs child when developing a long-term financial blueprint.

The First Principle of Planning

Any financial action taken by a family member of a special needs child can have a direct and material impact on that child's lifetime access to needed resources. Government programs for housing, medical care and income maintenance may assist many individuals. But each program comes with its own eligibility rules. The most efficient financial plans for special needs children take account of those rules and work to supplement, not supplant, lifetime assistance programs.

Background on Assistance Programs

- **Income.** There are two major federal programs that offer income support for disabled children and adults: Supplemental Security Income (SSI) and Social Security Disability Income (SSDI).

SSI is for disabled adults regardless of their economic background or prior earnings history, but it only provides benefits to people who have little current income and few financial resources. For an individual in 2012, this means total assets generally less than \$2,000 and monthly wage or salary income less than \$1,010. (Calculations for families and dependents vary.) Keep in mind that Social Security's definitions for what should be included in these totals are not always straightforward; full compliance with all rules may require expert counsel. What is more, the income ceiling is adjusted annually to reflect changes in the prevailing wage index.

SSDI provides lifetime income benefits to children who became disabled before reaching 18, and is based on the parents' Social Security earnings history. *SSDI* benefits generally come with fewer resource constraints, but a special needs child is typically eligible only if the parent retires or passes away before the child reaches adulthood. Keep in mind that many financial standards differ for *SSI* and *SSDI* benefits.

Bequests, trust support, and other aspects of any long-range financial plan may impact a special needs child's eligibility differently for each program. You should be sure to consult your advisors about how to structure your financial plan most efficiently.

- **Housing.** The federal Department of Housing and Urban Development (HUD) has a number of programs to provide accessible housing to people with special needs. As with *SSI*, access to HUD housing is limited to people who meet HUD's income and resource guidelines. But HUD's calculations may be different than those used by either *SSI* or *SSDI*. Only expert knowledge can help you be sure that a strategy for one program won't create unnecessary disadvantages in another.
- **Medical Care.** The two main government-financed programs that can help provide medical care for those with special needs are Medicare and Medicaid.

Medicare is not simply a program for retirees, but can offer benefits to special needs children and adults as well. It can cover children with kidney impairments that require maintenance dialysis or a transplant. It can also cover children with amyotrophic lateral sclerosis, known colloquially as Lou Gehrig's disease. It may also provide coverage in other circumstances for those who meet certain detailed qualifications.

Medicaid is widely thought of as a lifeline program for the poor, and in fact, it is generally available to individuals who qualify for *SSI*. But Medicaid may also be helpful in many special needs scenarios. Each state runs its own program so policies vary and expert advice for navigating the maze of qualifications and standards could be meaningful. Since Medicaid may cover otherwise financially-unsustainable therapies, careful financial planning may be especially beneficial.

Filling in the Blanks

While efficient compliance with all applicable rules and standards may be a task best tackled with expert assistance, you can facilitate the planning process with a thorough self-assessment of your child's future financial needs and your intentions. This check list can help you develop a high-level view:

- **Housing.** The basic features of architectural accessibility — wide doors, ramps, grab bars, Braille labels and two-way swinging doors — may be only the starting points for special needs housing. You may need to consider added costs for adaptive appliances, fixtures, and furnishings. And while location is always a consideration in real estate, your child may have unique location needs that limit choices and drive up costs. Also, when budgeting, don't forget the added costs of sustaining uncommon equipment in addition to utilities, routine maintenance, cleaning, and janitorial support.
- **Food.** Does your child have any special nutritional needs, dietary sensitivities, or allergies? These factors can overwhelm "standard" food budget estimates. You could also consider whether there might be any special preferences you'd like to provide regardless of their cost. What is more, there will be times when meals must be taken away from home to facilitate normal life activities, not recreation. These added costs should be planned for in the basic food budget.
- **Medical & Dental Care.** Office visits for general medicine and routine dentistry are probably the smallest part of this budget category. Visits with specialists, surgery, daily medication, nursing care, attendants, radiology, and therapy costs should all be accounted for if they are known to be likely.
- **Employment.** Occupational therapy and ongoing skills development and support could be major elements in this category. Non-routine commuting costs such as an attendant or escort should be considered if they can be foreseen.
- **Education.** Public educational programs generally end their coverage when a special needs child reaches age 22. Tuition and fees for college and adult-level courses can be considerable. The costs for textbooks and educational materials may be daunting for many families. In the content of adaptive and accessible technologies, these costs can be a significant impediment if not addressed in the planning process. Also, routine commuting and program-related travel costs can be a significant additional factor.
- **Transportation Equipment.** Consider the cost of an adaptive car or van, if needed, and also its added maintenance costs. You may also want to make provisions for rental replacement and substitute equipment costs, which could be material for some people.
- **Daily Life Assistance.** Will your child need live-in support? Around-the-clock attention and monitoring? All of these potential costs should be considered and accounted for. Also, if you expect family members to be a part of the overall care-giving plan, consider their potential need for time away and consider budgeting for respite care. And if you do budget for professional live-in assistance, consider how you may need to provide for the care-giver's personal needs as well.
- **Insurance.** This category includes medical and dental coverage, automobile, and real estate or rental coverage. You may need to make explicit provisions for adaptive equipment, domestic employment, and other unusual circumstances.
- **Personal Needs.** Clothing and grooming needs should be included in this category, as should telephone, computer, television, and audio equipment. Along with the electronic hardware come cable, satellite, broadband, and media costs. Finally, don't overlook the costs for books, magazines, and newspapers, also web site membership and subscription fees.
- **Social and Recreational Expenses.** Does your child hike, fish, ski, or participate in any other outdoor recreational activity? You should consider budgeting for its continued support. Special Olympics and other athletic challenges are important elements in many children's lives. You should consider providing for continued support of those activities. And don't overlook club memberships, camps, vacations, and other social activities.
- **Special Equipment.** Consider mobility enhancements such as wheelchairs and sensory enhancements such as hearing aids in this category. If you can foresee the need for a service animal, consider budgeting for that animal's acquisition, training, care, and feeding. Lifts and ramps in a primary residence may be considered part of the cost of housing. But you may also want to add access resources to places your child could visit regularly, such as a relative's home. You could account for those added resources here. Finally, don't overlook the value of advanced training for some devices. Technical instruction can be an important aid to future quality of life for your special needs child.

Article by McGraw Hill and provided courtesy of Morgan Stanley Financial Advisor.

The author(s) are not employees of Morgan Stanley Smith Barney LLC ("Morgan Stanley"). The opinions expressed by the authors are solely their own and do not necessarily reflect those of Morgan Stanley. The information and data in the article or publication has been obtained from sources outside of Morgan Stanley and Morgan Stanley makes no representations or guarantees as to the accuracy or completeness of information or data from sources outside of Morgan Stanley. Neither the information provided nor any opinion expressed constitutes a solicitation by Morgan Stanley with respect to the purchase or sale of any security, investment, strategy or product that may be mentioned.

The FA may only transact business in states where he/she is registered or excluded or exempted from registration, FINRA Broker Check <http://brokercheck.finra.org/Search/Search.asp>. Transacting business, follow-up and individualized responses involving either effecting or attempting to effect transactions in securities, or the rendering of personalized investment advice for compensation, will not be made to persons in states where the FA is not registered or excluded or exempt from registration.

Investments and services offered through Morgan Stanley Smith Barney LLC, member SIPC.

CRC 537499 [08/12]