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## Financial planning mistakes parents of special needs children should avoid

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Knowing that the child will outlive the parents, the planning has to go beyond their lifetime. (Reuters image for representation only)

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**By Jitendra P S Solanki**

Financial planning for the families of special needs children is much different from traditional planning. There are two generations involved – the



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education, car etc. but also includes meeting lifetime financial requirements of the special need child. Knowing that the child will outlive the parents, the planning has to go beyond their lifetime.

Even the retirement planning has two generations to plan for – parents' own living requirement and the child expenses. Then there is estate plan which is not only about Will or nomination, but creating a

structure which can continue meeting the child affairs in case of any eventuality. That's where Guardianship, Trust, Power of Attorney, Letter of Intent and other tools come in. In fact, they are the major elements of their estate planning. There are then social and emotional aspects which are beyond numbers, but are part of the planning.

Looking at the above aspects, having a proper plan is highly important for families with a special need dependent. Any mistake anywhere can jeopardize the child's future which is too painful. However, lack of information and trained advisers leads to families committing mistakes.

Here are 6 mistakes which have been common among families and which need to be avoided for the child's future:

**1. Nominating Child:** Most families in India make this mistake. They nominate the special need child in their financial assets such as bank accounts, life insurance, etc. A nominee is only a custodian and the actual succession happens through a Will or the Indian Succession Act. But giving proceeds to the child who may not be in a situation to take financial decisions will complicate matters for the future caregivers and may involve a lengthy legal procedure then.

**2. Leaving Assets To An Individual:** Families plan it to avoid the trust structure. Although it is an emotional decision, leaving assets to any individual has many drawbacks. What if the thinking changes receiving such large assets? What if it suddenly

child's lifetime? All these questions are necessary to answer so that the child's future is not left on God's mercy.

**3. Hiding Child Disability:** This is fairly common and advised wrongly too. Many agents of life insurance or health insurance advise families to hide child disability so that he/she too gets covered in the insurance policy. But have you ever thought what if the company actually does not cover the disability at all? It will lead to suppression of facts forcing the company to reject any claim on that policy in the future. Is that what you wish? Then disclose the child disability and seek the right insurance policy.

**4. Leaving Estate Planning To Later years:** A trust in India is a simple structure, but yes laws may not be so straight. Then there is cost associated with a trust functioning and we need trustees to run it. All these issues force families to delay the estate planning when they do not find answers to it. But it can be catastrophic for the child's future if any eventuality arises and right tools are not in place. A trust ensures that the child care continues in case of any adverse scenario.

**5. One Guardian for all matters:** At times families choose one individual for all the matters related to the special need child care, i.e. One Guardian for financial, legal and personal care. But the guardian will have his own life with a family to take care and managing all affairs of the child means devoting a lot of time. It may be difficult and the individual may not be willing to do so. This work-life balance may force him/her to deny a few of the responsibilities. Hence it's wiser that parents give a deep thinking on how different affairs related to child care will be managed and who best can play that role. Who are the professionals who can manage child specific affairs like financial and legal and how can member role be reduced so that he/she can focus on child well-being.

**6. Not opening up with your vision:** Parents of special need children families have to open up with their planning for the child to the family members who can provide support. Mistakes occur when members come to know only at parent death as to what they have planned and so they are unable to provide enough support for the child or would have done but through incorrect means. Parents should discuss with family

support to the trust, thus ensuring the utilization of their support for child care. The other aspect is for a guardian or future caregiver. He/she may not be knowing about child as much as parent do. Then unless the parents pen down a letter of intent, it will always be a gray area for them.

There may be other issues to address, but above are primary ones where many families make mistakes. The best means to avoid them is to do a comprehensive planning which aware parents on those issues which matter most to their child well-being.

*(The author is CFP & Planner For Special Needs Member Families)*

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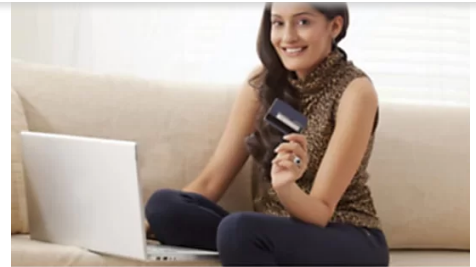
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ब्रह्मपुत्र की धार मोड़ने के लिए दुनिया की सबसे लंबी सुरंग बनाएगा चीन, भारत में पड़ सकता है सूखा

जब सरदार पटेल ने कहा था- मैं मुसलमानों का सच्चा दोस्त, पर उन्हें देश से वफादारी का प्रमाण पेश करना होगा



