

## ESTATE PLANNING FOR PARENTS WITH SPECIAL NEEDS CHILDREN

BY SKY CHEONG TIEN FOOK

I helped organized an educational talk by Special Need Trust Company (SNTC) to IFPAS members' early this year. It reminded me of an article I read in Sunday Times few years ago about more children are diagnosed with special needs in Singapore. (Source: "More children are diagnosed with special needs", The Sunday Times, 25th September 2011).

The numbers seem to be on a growing trend. While I do believe that parents will always provide the best for their kids, a question arises at the back of my mind: "What will happen to the child when the parents are no longer around?" How can we ensure the well-being of the child after the parents are gone? Challenges such as: (1) who will take care of the daily needs of the child; (2) where does the funding come from; and (3) who can manage the finances for the child, will always be a concern of the parents. Below is a 3 step processes that may help to overcome most of the challenges that were mentioned above. (Note: The 3 step processes need not be in chronological order.)

### STEP 1: APPOINT A CAREGIVER AND DEPUTY

The caregiver will assume the responsibility of the daily living and welfare of the child while the deputy will take charge of the decision making for the child. You can appoint a next of kin to do so. And such instructions can be written in the will, trust deed or letter of wishes.

### STEP 2: CREATING ESTATE DOLLAR USING LIFE INSURANCE POLICY

As the daily needs of the child such as food and water have to be addressed; therefore, it calls for a need in funding. Hence, creating estate dollar will be essential. There are many ways to create estate dollar. And most people would do it via personal saving. However, using a whole life insurance policy to create the estate dollar will be far more economical and secured. This is especially true when the parents are still young and healthy.

### STEP 3: SET UP A TRUST WITH SNTC

The biggest problem about having only a caregiver or deputy for special need child is that there are no check and balance to justify if the money are properly spend on the children. One way to solve such problem is to set up a trust. The appointed trustee will hold on to the funds as well as assuming the check and balance role to make sure the estate dollars are strictly for the child use only. If the trust is structured as an irrevocable trust, it can also shield the trust funds from estate creditors.

However, setting up and maintaining a private trust can be costly. Being a parent myself, I would want more money going towards my children's benefits rather than maintaining the trust.

In June 2008, the founding of Special Needs Trust Company (SNTC) has made the setting up of such trust a much more viable and achievable option. SNTC is a Not-For-Profit organization set up to provide trust services to the special needs beneficiaries. (Refer to [www.sntc.org.sg](http://www.sntc.org.sg) for more information)

To conclude, parents with special needs children who wish to provide for the livelihood of their children after they are gone, can consider the appointment of a caregiver and deputy, creating estate dollar using a whole life insurance policy and starting up a trust with SNTC.

### About the Author

Sky Cheong Tien Fook is a licensed financial practitioner with 7 years of financial planning experience. He is an active IFPAS member and is an alumnus of IFPAS Education & Training Working Committee. He is a Chartered Financial Consultant (ChFC/S).