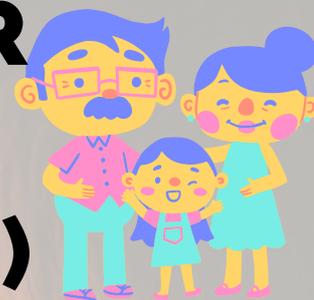


FINANCIAL PLANNING FOR PARENTS WITH SPECIAL NEEDS CHILDREN (PART 1)



Parenting and parenthood is not an easy feat. There are many challenges that parents face when raising their children and these become far greater when caring for the loved one concerns a special needs child. Some of these unexpected challenges include managing the physical and emotional demands of the child's condition as well as society and peer pressure. It is reported in a Straits Times article(1) that: "one in 150 children here has autism, a higher rate than the World Health Organisation's global figure of one in 160 children", and "more pre-schoolers here get diagnosed with developmental issues". In this context, in view of the growing concern, it is hoped that the financial planning tips and suggestions shared in this article, may be useful and helpful to parents with special needs (known as parents moving on), as they raise their children and take them through life's journey. This article would be presented in a two part series. Hence, let us take a look at Planning for the Parent.

A. Cash Flow Planning.

A special needs child essentially requires more attention and time from parents. As such, it is likely that one parent may have to stop work to take care of the child. This means the family will need more emergency cash for their household expenses. It is highly recommended to have 6 months' worth of living expenses as emergency cash. However, in view of the above concerns, parents with a special need child may want to consider setting aside, more financial resources (eg say 12 to 15 months) for household expense, contingency planning as well as for therapy/treatment fees.

B. Insurance & Risk management Planning.

The amount of insurance coverage to have varies from person to person, based on their different needs and situations. Just like anyone else, these parents will need insurance that covers the 3Ds (premature Death, total permanent Disability & dreaded Diseases). Together, they serve as a form of wealth protection, income replacement as well as debt cancellation, to help minimise the financial impact to self and their families if such risks (the 3Ds) arise. This becomes even more important in circumstances surrounding the provision of their special need's child, should the unforeseen happen to them. This can come in the form of traditional life, investment linked or term-insurance, respectively. As a rule of thumb, if possible, it is good to have approximately ten times of one's annual earning as basic life coverage, according to the Life Insurance Association of Singapore.

Apart from the above, it is also important that they are covered with a medical and hospitalisation insurance as well as long-term care plan. With rising medical cost due to higher demand for healthcare and medical inflation, a medical and hospitalisation insurance, which also includes surgical benefits, will help manage this financial risk and their savings (from being depleted) in the event of hospitalisation. For long term care planning, it is also reported that "1 in 2 healthy people aged 65 today run the risk of becoming severely disabled before they die" and "3 in 10 remained severely disabled for more than 10 years" according to a Straits time article (2). With this concern at heart and considering the probability their special needs child may not be able to help to take care of them in those circumstances, long term care insurance will be very important to help mitigate this risk. Parents should evaluate whether the basic coverage of Medishield Life and basic coverage of Eldershield (or Careshield Life when this is launched at end-2020) from the government are sufficient for them. Issues they may need to consider include whether to upgrade to a plan with better coverage by purchasing a Medisave-approved private integrated shield plan (IP), together with IP riders for a more comprehensive coverage. In addition, they may also wish to upgrade their Eldershield or buy a personal disability income plan with a service provider should they want a more comprehensive coverage for partial or moderate disability.

C. Retirement Planning.

Retirement is a fact of life, and it will come one day. With Singapore being one of the most expensive cities to live in, parents with special needs children need to plan for retirement as well. To meet this objective, they can use the income replacement or expense method. It may be preferable to use the income replacement method to prevent underestimation or miscalculation of expense. But whichever method is used, it is important for them to factor in the expenses related to the special care needs of their child. Parents would also need to keep in mind during the planning stage that they may not be able to depend on their child for support in their ageing and retirements years.

D. Estate & Legacy Planning.

This is usually one of the main concerns for parents, as they will be worried of what happens to their child when they are no longer around. Before using the various tools to do their estate and legacy planning, it would help them to start thinking of appointing suitable persons (could be family members or close friend) to be the guardian, trustee, caregiver, executor or deputy for their special need child and communicating to them the intent and instructions on taking care of their special needs child. After this is done, they can start to use tools relevant to their preference and needs. These include doing up a will, setting up a trust, completing insurance nomination/s as well as putting in place an LPA (lasting power of attorney) and an ACP (advance care planning) for their estate and legacy planning. For trust wise, parents can consider using SNTC (Special Needs Trust Company) Trust as a less expensive alternative as compared to setting up their own trust. With this, parents can express their wishes and plan for their special needs child via the letter of intent to SNTC. They can also tap into the support of dedicated SNTC case managers who are trained. In social work, as well as a board of volunteers from the legal, medical, and financial professions. In addition to these, parents can do the Special Needs Savings Scheme (SNSS) nomination, to disburse their CPF funds in monthly payment for their special needs child upon their demise. Look out for the next issue on planning for the special needs child!



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NOTES:

1- [HTTPS://WWW.STRAITSTIMES.COM/SINGAPORE/HEALTH/1-IN-150-CHILDREN-IN-SINGAPORE-HAS-AUTISM](https://www.straitstimes.com/singapore/health/1-in-150-children-in-singapore-has-autism)

2- [HTTPS://WWW.STRAITSTIMES.COM/SINGAPORE/HEALTH/ELDERSHIELD-REVIEW-COMMITTEE-WANTS-SCHEME-MADE-COMPULSORY](https://www.straitstimes.com/singapore/health/eldershield-review-committee-wants-scheme-made-compulsory)