

Alert to Caregivers of Dependents with Special Needs:

You May Need to Change the Beneficiaries of Your Life Insurance, Annuities, IRAs or Other Retirement Accounts

The process of planning for a dependent with special needs involves developing a total plan to provide for the dependent's lifetime care. Ownership of assets must be coordinated with legal documents (such as trusts, wills and beneficiary designations) to avoid the loss or reduction of any government or other benefits for which the dependent may be eligible.

Assets can pass from one individual to another individual in a variety of ways. Assets may be transferred by sale or by gift. At death, assets may pass through a will or under intestacy laws and be distributed by the estate. Assets may be distributed by trusts.

Certain assets will be distributed through operation of law. These include assets held jointly (such as real property held in joint tenancy, or as tenants in the entirety) that avoid the probate process and go directly to another named person.

Other assets can pass through operation of contract. These usually include life insurance policies, annuities, IRAs, and certain other types of retirement accounts that permit the owner to name a beneficiary. These types of assets typically avoid the probate process (unless the estate is named beneficiary), passing directly to the named beneficiary.

Even the very best plans can go astray if all the pieces of the puzzle are not pieced together correctly. Distributions specified in wills can result in money going directly to a person with special needs (for example, a provision that requires that the residuary estate be divided equally among the decedent's children, with the share of any predeceased child being divided equally among that child's children or descendants of predeceased children). Payments made directly to a person with a disability may result in the reduction or even loss of government benefits.

How many caregivers of dependents with special needs today have named their dependent as the beneficiary on a group or individual life insurance policies, IRAs, 401(k) plans, profit sharing plans, or defined benefit pension plans? How many people have forgotten whom they have named as beneficiary? How many people never named a beneficiary? When the caregiver dies, the terms of those policies and retirement plans will govern the distribution of the money, usually

requiring distribution to the named beneficiary or, if none is named or living, to the estate. If the dependent with special needs receives the money, this could produce disastrous results.

When planning for the financial future of someone with special needs, all beneficiaries of insurance policies, pension plans, IRAs, and annuities, need to be reviewed. If the caregivers have established a special needs trust for their dependent with special needs, the trust should be named as beneficiary, so not to compromise their loved one's benefit eligibility. One mistake, a forgotten policy, or a beneficiary designation not updated, can unravel the best of plans!

Due to the complexity of federal and state laws, you may require a specially trained professional who can work with your other advisors to help you plan for the future of your dependent with special needs.

Call Special Care Planner Bob Johnston at (262) 955-6636 for a confidential consultation.

SpecialCare is a program created by MassMutual that provides access to information, specialists and financial solutions to people with disabilities and their families. For more information about Massachusetts Mutual Life Insurance Company (MassMutual) and its SpecialCare program, please visit www.massmutual.com/specialcare.

The Special Care Planner title is used by MassMutual financial professionals who have received advanced training and information in estate and tax planning concepts, special needs trusts, government programs, and the emotional dynamics of working with people with disabilities and other special needs and their families.

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