

Military Pensions and Special Needs Financial Planning

By Rob Wrubel

Planning for your special needs family member is a complicated process. Family members must be aware of personal, government and family financial resources. Planning should include understanding the team supporting the disabled member, how they can work together and who is the team leader. The team includes family, personal, financial, legal, medical, therapy and care members.

The goal of planning is to first create a positive vision of what the future will look like and then begin taking concrete steps to achieve that dream. For some families it means locating future residences or family support systems. For others, it means funding trusts to supplement quality of life. In all cases, the plan needs to be reviewed regularly to keep pace with changing health, financial and support issues.

Military families (and some others with pension plans) are often faced with making a significant election at separation from service from the military that can have dramatic impacts on their disabled children. Military pensions allow for a survivor benefit (SBP) that first goes to a living spouse and can pass along to either children at home (until independence at either 18 or 22 if in school) or for a lifetime if that child is disabled or has become disabled before age 18.

At first, the choice seems an obvious one – elect to have the disability benefit paid to successor children that qualify. But this choice has significant impacts that can actually decrease the quality of life and resources provided to a child.

Consider the case of a 55 year old couple. The father retired from the military a few years ago and elected to reduce his personal income benefit to have his wife and disabled child covered under SBP. The son, currently over 18 years old who requires fulltime care, lives at home and will for most of his parent's life. The father recently researched group homes for his son and discovered that in today's dollars his son needs between \$60,000 and \$80,000 per year to pay for the home.

When the mother and father both pass away, the son will receive between \$30,000 and \$40,000 per year in income benefits. This amount will not be enough to pay for the care facility, but will be enough that he will not qualify for SSI (and therefore Medicaid).

The father has been researching all options available to him. His choice with the military cannot be changed. Pension dollars from the military cannot go into a trust – an individual recipient is required. Social security will not allow his son to divert the income and avoid accepting it for himself.

What options does the father have? The son can receive government benefits today as he is over 18 and does not have any resources of his own. The parents plan to set up a way to fund the additional payments needed to give the son full care in a private facility when they are not here and the son takes the pension income. It will mean stretching the family resources, plus doing less for the other children who live at home.

The choice the father made could still be the best one as future as funding for Medicaid and SSI/SSDI is never guaranteed. If government benefits for disabled family members decrease in the future, taking the continued pension could be the best financial choice this family made.

In financial planning for families with a disabled member, we are often faced with making the best choice today not knowing what the future will be. Plans must be reviewed annually and account for changes in government resources, personal resources, tax laws and investment opportunities.

Financial planning can be hard for any family to face but with the help of professionals to guide you through the process, you can take steps to ensure your loved one is cared for when you are not there. For more information about financial planning for families with a disabled family member, call Rob Wrubel, Senior Investment Advisor with Cascade Investment Group, (719) 632-0818.

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