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SPECIAL NEEDS TRUSTS

When going to meet with an attorney who specializes in special needs planning you should have certain documents with you. You should also have an outline of the goals that you wish to accomplish in your estate plan and other relevant information available for the attorney. By being prepared and organized you can ensure a productive meeting and, in the end, a better estate plan.

I. Written Documents

There are a few documents that you should have at your initial meeting with an attorney to ensure an efficient meeting. Any existing Wills for you or your spouse will definitely be

needed to be reviewed. The attorney will need to know if your current Will accomplishes your goals or if it is insufficient in your current situation. The lawyer does not want to draft a document that will be counterproductive or void something already in place. Also, any Trusts that you, your spouse or your special needs child have or are (or will be) a beneficiary of are important for the attorney to know about.

II. Information You Can Prepare

A lawyer will need to know the general nature and extent of you, your spouse's, and your special needs child's assets. The lawyer does not need to

know the bank account number or what individual stocks you have in your brokerage account, but a general idea of the bank accounts, brokerage accounts, and real estate's worth would be helpful. You should also write down next to the asset how it is titled. For example, is it titled just in your name, your spouse's name or in joint name (with right of survivorship or tenants in common)? You should also note your salary, any life insurance, and any liabilities (mortgages or other loans) you may have.

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As I discussed in prior articles, you should have what your retirement plan is worth and who are the current beneficiaries. If you do not know, contact your plan administrator and ask for a copy of your beneficiary form you filled out. Another thing to write down is any jewelry or antiques or whatever personal property that has significant value or that you would wish that certain individuals would receive after you pass away.

You should also prepare some information about your special needs child. It will help the attorney if he or she knows the complete diagnosis of the child and what medications, if any, the child is taking. Also, you should write out what their schooling history has been, what their likes or dislikes are, whether they are receiving government benefits and what type of future you see for your child. This will help the attorney in preparing the documents you will need to ensure the most adequate estate plan.

Although not necessary, you should give thought to who you would like to be the executor, trustee and guardian under your Will. Your attorney can help you decide who would be appropriate in your situation.

Special Needs Trusts (SNT) is a complex area of the law. You should always consult with an attorney familiar with SNTs in your state to determine what plan is best for your situation.

The author, J. Patrick Collins Jr., CFP®, EA is a Principal with Greenspring Wealth Management, Inc., a fee-only financial planning and investment management firm, located in Towson, Maryland. The firm specializes in working with business owners, retirees and pre-retirees, and families of children with special needs.



TAX PLANNING FOR FAMILIES OF CHILDREN WITH SPECIAL NEEDS

As the income tax deadline approaches, I thought it would be helpful to review several of the tax benefits for parents of children with disabilities. While this article is meant to serve as a resource, it is best to consult with your tax and/or financial advisor prior to making any decisions. Before getting into the specific types of benefits, it is important to note the two different categories: deductions and credits.

Deductions reduce a taxpayer's income. Therefore, a taxpayer with \$50,000 of income and a \$1,000 deduction would only calculate their tax based on \$49,000.

Credits are dollar-for-dollar reduction in tax liability. If a taxpayer calculates his tax liability to be \$4,000 and he has a \$500 credit, his tax owed would be \$3,500.

Several factors can impact the availability and amount of these tax benefits and must be considered when determining the value to the taxpayer.

Deductions

Medical expense deductions are claimed on Schedule A and only apply to those taxpayers who itemize deductions. These deductions are allowed only to the extent that they exceed 7.5 percent of the taxpayer's adjusted gross income. It is important to distinguish what items qualify for medical expenses. Listed below are some of the most common overlooked medical expense deductions:

- ❖ Tuition to private school – if the child attends a special school that has a program designed for the child's disability, the expense will most likely qualify (usually doctor's recommendation is required).

- ❖ Tutoring and therapy
- ❖ Specialized materials and equipment
- ❖ Transportation expenses (allowable expense for 2006 is \$.18 per mile plus parking and tolls or the actual cost of operating the vehicle).

Disability related conferences-costs for admission and travel are deductible if the conference is "primarily for and essential to the care of the dependent."

Flexible Spending Accounts and Health Savings Accounts are often available through a taxpayer's employer. Contributions to these plans are often deductible in the year they are made. To learn more about these Accounts consult IRA Publication 969, Health Savings Accounts & Other Tax-Favored Health Plans.

Credits

The Child and Dependent Care Credit is available for parents and caregivers who incur work-related expenses (child care services, after school programs, and some camps) caring for their children. A portion of those expenses may qualify for this credit. Depending on the taxpayer's adjusted gross income, the credit is calculated at 20 to 35 percent of allowable expenses.

The Child Tax Credit applies to taxpayers with dependents under age 17. The credit is worth \$1,000 per child and begins to phase out for married couples filing jointly at \$110,000 and single taxpayers at \$75,000 of adjusted gross income.

This article outlines some of the tax benefits you may qualify for when caring for a child with a disability. It is important to discuss your entire situation with a tax or financial advisor before claiming these benefits.

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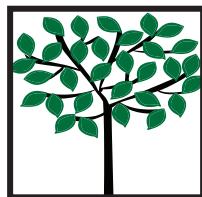
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Greenspring Wealth Management, Inc. is a fee-only financial planning and investment management firm located in Towson, Maryland. The firm specializes in working with business owners, retirees, and families of children with special needs.

One of the firm's principals, J. Patrick Collins Jr., has extensive knowledge of the issues surrounding special needs planning and is a frequent guest lecturer on the topic. Mr. Collins is a Certified Financial Planner™, Enrolled Agent, a NAPFA Registered Financial Advisor, and is active within several financial planning organizations.

Herr, Potts, and Herr is a law firm located in Wayne, Pennsylvania. The firm specializes in estates and trusts (specifically special needs planning), income tax, and real estate matters. One of the firm's partners, John H. Potts, Esq., is considered a pioneer in the field of Special Needs Planning in Pennsylvania. Stephen D. Potts, Esq. is an associate attorney with the firm and specializes in the complex issues of special needs planning.

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