



## **Life Insurance Offers a Way to Fund a Special Needs Trust Without Financial Strain**

Many families are justly concerned about the long-term financial security of their loved ones with special needs, especially if parents who have been providing support pass away. This concern is one reason to create a special needs trust.

But not every family can afford to fund a special needs trust with enough money to properly care for a person with special needs over the course of his lifetime. Life insurance provides a unique opportunity for many families to guarantee the financial security of their loved ones with special needs without placing a significant financial strain on other family members.

There are many different types of life insurance that can be used to fund a special needs trust, but whichever type of insurance is purchased, the death benefit is directed to a special needs trust created for the individual with special needs to provide financial security after the parents are gone. Term life insurance is the easiest to understand. Under a term policy, the insurance company agrees to pay a fixed amount of money if the insured person dies during a set period of time. If the insured person survives the policy's term, the insurance lapses and there is no benefit.

Whole life insurance is a little different. A whole policy typically lasts for the insured person's lifetime and the policy accrues value over time. The accrued funds generate interest and the policy typically pays dividends, adding to the value of the payout. Universal life insurance accumulates value like a whole life insurance policy, but the policy owner can typically adjust the premium payments and death benefits over the life of the policy. With both whole life insurance and universal life insurance, the policy owners can contribute enough money to the policy to guarantee a future death benefit, regardless of how long they live. This is called a "paid up" policy, and it provides the emotional security of knowing that the life insurance will be there to fund the trust even if a family's financial circumstances change in the future.

One of the most important types of life insurance for families of people with special needs is called second to die or survivorship insurance. These are policies taken out on the lives of two people that only pay out when the second person passes away. Because of this, the premiums are typically lower than individual policies, allowing families to provide greater sums for the beneficiaries after the death of the second parent. However, there is no guarantee that the second insured person will continue to pay for the policy, potentially leaving the special needs trust in the lurch.

Once a family has decided to fund a trust with life insurance, the follow up question becomes "how much life insurance should we buy?" You should always consult with your special needs planner before purchasing any life insurance destined for a special needs trust.

For more information about special needs planning in general and special needs trusts in particular, contact Attorney John D'Onofrio today.

**As a member of the Academy of Special Needs Planning, John is constantly reviewing new laws and amendments in this area of law as well as attending seminars and continuing education classes relevant to special needs planning and trusts.**

Call today to schedule a free initial consultation. Call today, get peace of mind today.

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