

Securing Your Child's Special Needs

Your special needs child depends on you for financial support. And more than likely, this support will be necessary for the rest of your child's life. So, what can you do to help maintain your finances today, while securing your child's financial picture for tomorrow?

Cash value life insurance can be a valuable tool for protecting both current and future costs associated with raising a special needs child. A life insurance policy's cash value component has the potential for tax-deferred growth during the insured's lifetime. Over time, the cash value can accumulate into a ready source of cash to supplement financial needs in the future. Also, from the policy's first day forward, the insured is immediately covered by the policy's death benefit. Thus, a special needs child would be ensured funds to obtain proper and necessary care in the event of your untimely death.

This unique combination of benefits is achieved by linking insurance protection and savings with premiums dollars. Premium payments first pay the cost of pure insurance coverage, including the expenses and mortality factors of the insurance company; the company then invests "leftover" dollars to build the cash value of the policy. In addition to cash value buildup, some policies have periodic dividend payments that are a result of lower expenses, lower mortality rates, and higher investment results than were predicted when premiums were set.

One additional long-term benefit typically associated with cash value insurance is predictability of expense. Premium amounts payable at policy inception will not change and will continue until the policy "ends"-that is, when the cash value of the policy equals the face amount of the policy, or when the policy becomes "paid up"-that is, when cash values are sufficient to support the death benefit with no further premiums required. The point at which premium payments cease is clearly stated in the policy (typically age 65, 75, 85, or 95). The length of the payment period will, of course, affect the dollar amount of the premium payments.

Another attractive feature that comes with any cash value life insurance policy is the guarantee of insurability. Once the individual to be insured provides initial evidence of insurability-and as long as premium payment responsibilities are met-the insured is guaranteed coverage for life in accordance with the terms of the policy. Evidence of insurability will never be necessary again, as long as the original policy remains in force.

The final feature to consider is the value of life insurance as a "creditor," if necessary. Funds may be borrowed against the cash value of the policy at any time. Loan approval must come from the insurer, but is generally fairly routine. No repayment schedule is set beyond regular payment of interest on the loan and outstanding loan balances deducted from the death benefit in the event of the death. Loans should be used sparingly and paid off in a timely fashion.

Once you have studied the options available, you need to view them in relation to your personal needs. In the case of a special needs child, these needs are generally twofold. First, you'll need to provide for your family and special needs child, as well as meet other financial obligations in the event of your death. Second, you need a savings mechanism in place that will help you meet long-term financial obligations. By meeting both of these needs, cash value life insurance can help you ensure a secure today and tomorrow for your special needs child.

