

# FINANCIAL PLANNING NOTES

## CLIENT NEWSLETTER

*“Put not your trust in money, but put your money in trust.”*

—*Oliver Wendell Holmes*

### IN THIS ISSUE:

**SPECIAL NEEDS FINANCIAL PLANNING  
FOR MENTAL ILLNESS**

1

### **SPECIAL NEEDS FINANCIAL PLANNING FOR MENTAL ILLNESS**

When my son had his first mental health crisis, my wife and I had no idea what was happening to him, what kind of pain he was in, or what we should be doing. But for the next five or six years, we were focused and absorbed on nothing other than seeking out the best treatment possible for him and learning all we could about his mental illness.

It wasn't until years after his diagnosis that we really started to think about and understand the impact his illness had and continues to have on our family's finances, estate planning, and future financial security. Because of my family's experience and my many years as a financial planner, my passion is helping families who have a son or daughter with a serious mental illness make better decisions with their finances.

#### **Why Is Mental Illness Different?**

One of the aspects that makes financial planning for families that are dealing with a serious mental illness unique is that the occurrence or onset is typically much later than for most developmental disabilities.

A parent of a child with autism or most cognitive disabilities would typically have a diagnosis and

realization that they are dealing with a long-term disability while the child is very young, perhaps at an age less than 5 years old. The parents would seek and receive help and services, including guidance through critical transitional stages, some of which would be mandated by law. They would put together an Individualized Education Plan (IEP), and as the child matures, they would have a transition plan into adulthood, as required by the Individuals with Disabilities Education Act (IDEA).

Contrast that with serious mental illnesses that often don't outwardly begin to manifest until mid- to late teens or twenties. In our case, we can see, in retrospect, signs as early as my son's early teens, but they didn't result in a crisis until he was 17. It still took some time for us to realize that we just might be dealing with something serious and long term here and not just a teen having a difficult transition into adulthood.

It's the abrupt change in focus at a time when Mom and Dad are deep into college education planning and their own retirement planning that makes the onset unique. As parents, we're in crisis mode ourselves, and it's not a point in life we've seen parents typically stop and make well-informed financial decisions. The focus shifts to seeking the best help, and that often requires resources—the

same resources that would have been used to fund a retirement or a sibling's college education.

### Biggest Concerns

When we began to seriously consider evolving our financial planning practice to working with families that have a son or daughter with a serious mental illness, we understood that we needed a deep understanding of what the biggest concerns were, both directly financial and otherwise, that these families faced. It needed to go well beyond just what my family had experienced. Since there are virtually no studies available on the subject, we had no choice but to do our own study.

We asked parents, providers of mental health services such as the National Alliance on Mental Illness (NAMI) and Mental Health America (MHA), and therapists in the mental health field about the biggest concerns these families faced. What keeps them awake at night? What specific financial challenges have they faced? How successful have they been at overcoming these concerns? And we asked them if an empathetic financial planner would have been a benefit to them, and how.

What we learned was that there was one concern that prevailed above all others. One question that, if answered, would mean these families would have felt infinitely better about the future. The question we heard more than any other was: **“Who is going to take care of my kid when I’m gone?”**

How well that question is answered became our measuring stick for overall success.

### Strategies

We’ve found that to answer that question, parents need to focus on a number of strategies in their overall financial plan, starting with Social Security. Many families we’ve worked with never imagined they would be applying for Social Security disability benefits for their son or daughter, so not surprisingly, we found that many put off applying for benefits until well past when they would have been first eligible.

While putting off benefits for some may not have been overly meaningful as far as monthly income

from Social Security itself, we found that it did impact families—affluent families especially—because it didn’t allow their son or daughter to qualify for Medicaid-funded treatment programs. Qualifying for those programs might have made a difference in their child’s ability to recover.

We strongly encourage families to apply for Social Security benefits—even if they feel they are in a financial bracket where they don’t need the minimal monthly income that Social Security provides. It’s the Medicaid or Medicare benefits that may prove to be most valuable.

Having a plan becomes, in itself, one of the best strategies a family can employ. In our study, we found that families that were proactive in seeking help felt they were more on track toward success. We found they had well-defined goals and focused their efforts on accomplishing those goals. Plans can change, but to have a map that works until it needs to be rewritten is highly valuable.

Understanding the overall goals and the wants and desires of the entire family plays a part in developing the plan. We need to know we are making smart financial decisions, mitigating taxes, and transferring wealth in the most efficient way we can. We need a plan to avoid unnecessary losses due to liabilities, and we need to understand how charitable planning might help us accomplish some of these objectives as well. All of this is addressed in a well-thought-out plan.

One day, the realization hit me that my retirement plan is no longer just for my wife and me. It finally dawned on me that we will have to leave enough to provide for our son for the rest of his life as well, and that meant our investment plan needed to operate at the highest level of efficiency possible. Having a sound, evidence-based investment strategy becomes highly important for families with a son or daughter with mental illness because, quite frankly, the parents’ money has to last longer.

Protecting government benefits becomes critical in financial planning for families dealing with a serious mental illness like schizophrenia or bipolar disorder.



Understanding the maximum limits allowed in accounts and what can be owned is important.

There are easy-to-employ strategies to work with, and around those, Achieving a Better Life Experience (ABLE) accounts and special needs trusts become tools that work well in the financial portfolio for families. ABLE accounts allow an individual with a disability to have up to \$100,000 in a tax-favored account without jeopardizing their Social Security benefits. Special needs trusts do that as well, without the \$100,000 limitation. Of course, there are many additional benefits to a special needs trust that a competent planner or attorney should be consulted.

### Taking a Systematic Approach

Given the complex and varied financial needs that parents face when their son or daughter has a serious mental illness, working with an investment generalist or investment advisor focused on selling investment products may be shortchanging the potential for success. Many special needs families should, rather, consider using a wealth manager who not only sees the financial picture through a broader scope but is clearly empathetic to the needs of these families.

The first element of wealth management is **investment consulting**. This is the major focus of many financial advisors, and certainly astute investment consulting can be the foundation of a family's ability to address their most important goals.

However, our study revealed that many special needs families need more than just assistance in managing their investments. This is why I have the second element of wealth management, **advanced planning**. Advanced planning addresses these four major areas

of financial concern beyond investments:

- **Wealth enhancement:** Mitigating tax burdens and increasing cash flows
- **Wealth transfer:** Helping to ensure that heirs are taken care of and potential government benefits are not negatively impacted.
- **Wealth preservation:** Helping to protect loved ones and preserve assets
- **Charitable giving:** Maximizing the impact of one's charitable gifts

Since no one person can be an expert in each of these complex areas, wealth managers work closely with other professional advisors, such as CPAs, attorneys, and insurance specialists, to address these issues. Depending on the preference of their clients, they may do this in conjunction with the clients' current professional advisors.

This brings us to the third element of wealth management, **relationship management**. To fully understand their clients' most important goals, values, and challenges—both now and long into the future—wealth managers must cultivate trusting, long-term consultative relationships with those clients.

Taken together, these three elements constitute a systematic approach that can help many special needs families make more informed financial decisions for themselves and their families. Not everyone wants to work with a financial advisor. If you do choose to work with a professional, consider one who uses the wealth management approach.

— Allen Giese

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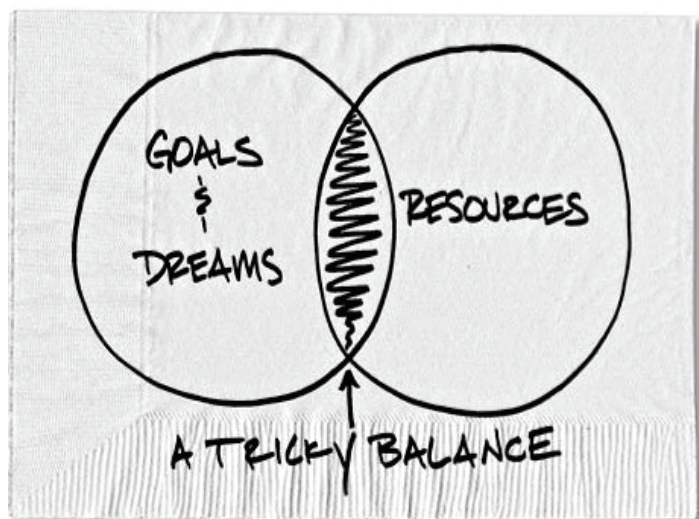
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## FROM CARL RICHARDS' NAPKIN BLOG



## FINAL THOUGHT

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