FINANCIAL PLANNING TOOLS FOR DISABLED ADULTS

At least 54 million Americans are physically or mentally disabled, half of them severely disabled, according to the U.S. Census Bureau. For most of them, disability creates tremendous financial uncertainty because of associated expenses and, in the case of adults, often the simultaneous loss of income. Although the disability may remain a permanent feature of one's life, financial uncertainty might be alleviated with proper financial planning.

The key to restoring and maintaining financial stability is to carefully manage limited financial resources, balancing sources of income with expenses, and may require difficult adjustments in one's standard of living. Start with the family. The expense of caring for a disabled family member, let alone the emotional aspects, will likely mean dramatic financial sacrifices and trade-offs, so it's critical to involve the entire family in the planning. You'll also want to bring in professional help, including a CERTIFIED FINANCIAL PLANNER™ professional familiar with disability issues.

Don't rush into making major financial decisions immediately after the disability. Consider not only short-term medical needs, but long-term needs as well. For example, the disabled person may receive a substantial financial settlement from an insurance company or lawsuit. A disabled person may live a long life, outliving those around him, and that initial settlement will likely need to be stretched out over a lifetime.

One of the earliest planning steps will be to identify potential, "realistic" sources of income. Depending on the cause of the disability and the amount of available financial resources, these might include automobile insurance, medical insurance, worker's compensation, credit and mortgage disability insurance that pays off outstanding debts, savings and investments, the sale of a life insurance policy, employee benefits, court-ordered restitution from the person responsible for the disability, and civil lawsuits. A critical source of income can be disability insurance, either privately owned or through the person's employer. If such income-replacement coverage is not available, the person may want to apply for Social Security disability insurance, though the standards are tough. Be persistent. Roughly half of those rejected are accepted on appeal. Private long-term care insurance is another invaluable income source for the disabled.

If disability and long-term care insurance aren't available, the federal and state governments may provide some assistance. Those with low incomes and few assets may be eligible for federal supplemental security income and Medicaid, which helps pay doctor and hospital bills and long-term care. States and counties can help provide assistance, and veteran's benefits can help with medical care. State vocational rehabilitation departments teach the disabled new job skills and help find employment. And there are local nonprofit charities, service clubs, churches and other organizations that may help with expenses or medical needs.

Returning to work is another obvious, and often desired, source of income. It's also an important avenue of access to affordable health insurance and retirement plans. The Americans with Disabilities Act makes it much easier for the disabled to return to work with their old employer, or find new work. Many disabled have found self-employment as a work avenue. And in late 1999, President Clinton signed a law allowing low-income disabled persons to return to work without losing important government-funded health coverage such as Medicaid.

One source of potential income to ***avoid*** tapping, if possible, say many CERTIFIED FINANCIAL PLANNER™ professionals, is one's retirement nest egg. Many disabled people face the same retirement issues as the nondisabled, so though tapping retirement funds may appear to be a unavoidable short-term strategy, it ***usually is not a good long-term move***.

Expenses associated with a disability are many, from medical and physical rehabilitation to home and automobile renovation and family counseling. Careful budgeting will help. You also may be able to negotiate lower payments or reduced obligations with creditors. Despite what often seem insurmountable expenses, try to keep or find medical coverage for all family members, and try to keep putting something in the retirement accounts. Don't rush into bankruptcy, despite its allure. Personal bankruptcy should always be viewed as a last resort.

One other key area to consider involves estate planning documents. In particular, get a durable power of attorney and a health care proxy, which are designed to allow someone to legally act on behalf of someone else, and a living will, in which the person expresses what types of life-saving treatment he wants or doesn't want.

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info@fpaHamptonRoads.com