4 WEALTH PLANNING CONSIDERATIONS

Whittier Trust

For Clients With Illnesses or Disabilities

FORBES BRAND VOICE 2021

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There's no one-size-fits-all approach when it comes to wealth management. That's especially true when chronic illnesses and disabilities are involved. Coming up with a wealth plan that meets those individual needs requires understanding and a personalized approach.

Creating a successful plan for individuals with chronic illnesses or disabilities is nuanced because each situation is different.

Whether it's a child with severe autism or a family member who develops dementia, families dealing with illnesses and disabilities need to find ways to set aside funds to ensure consistent care for their loved ones. Families often create a supplementary trust to provide beyond government assistance. At the same time, the plan should be designed in a way that doesn't impact eligibility for government assistance or other resources that may be available.

"What's critical is being able to understand each individual, whether it's the client who has the illness or disability, or one of their family members," says Thomas Frank, Executive Vice President and Northern California Regional Manager at Whittier Trust. "The professionals who are being brought in to help need to be professionals who are comfortable with customization."

With that in mind, here are some key considerations for families to weigh when drawing up a plan to care for someone with a chronic condition or disability.

Personalize Your Plans

Creating a successful plan for individuals with chronic illnesses or disabilities is nuanced because each situation is different. Planning for a woman in her mid-50s with a chronic condition that keeps her from working full time is very different from caring for an octogenarian who needs around-the-clock care. Sometimes, situations evolve. Someone with multiple sclerosis could go decades without much difficulty but run into issues later in life requiring additional care.

That's why it's essential for plans to be personalized to the specific situation. Not all firms are accustomed to creating customized plans and dealing with the nuances. A big-bank trust department, for instance, could have trust officers who handle 300 or 400 different trusts at a time, says Frank, limiting the amount of time they can spend on tailoring a plan for a specific client.

Identify A Power Of Attorney

Someone preparing to undergo a period of treatment and recovery may want to appoint a power of attorney to help them make financial decisions while going through treatment. If disability or treatment comes out of the blue, establishing a durable power of attorney ahead of time can help in case the principal becomes disabled. Once the principal can make decisions, they can revoke the power of attorney at any time.

Other options are living trusts or revocable trusts. The trust holds the assets, and there is a successor trustee in case the principal becomes disabled. If there's an accident, the successor trustee can step in and manage while the principal is recovering.

Find Backup

Identifying a trustee or giving power of attorney is never an easy decision—and even more difficult when it involves care for someone with a disability or chronic illness. For that reason, Frank recommends giving a family member or members the ability to remove and replace a trustee if things go sideways or if the trustee doesn't have the time or expertise needed for the situation.

Prepare The Trustee

Conversations about disabilities and death are challenging. But one common estate planning mistake that advisors often see is when the matriarch or patriarch creates a plan and appoints a trustee without informing the rest of the family. This can become a point of contention and distrust later on.

"It happens all the time," says Frank. "Immediately the kids become distrustful. Communication throughout the process with all interested parties is important. You can't over communicate the plan—who's going to be responsible for what current or future needs."

That preparation applies to temporary situations as well. Someone could become sidelined from work—maybe by chemo treatment or an accident—and needs someone to step in and manage real estate rental properties. In a situation like that, it's preferable to have someone who has been actively involved and can assist without missing a beat.

Communication is crucial throughout the whole process. Any transition is more difficult when the trustee hasn't been prepared. "The more we know, the easier the transition will be on the beneficiaries," Frank says.

As 2020 made very clear, unexpected events come up in life, and a robust wealth plan needs to be able to adapt.

"Not every illness or disability is the same," says Frank. "Every situation is going to be slightly different. If a family has significant wealth, they're going to want to partner with an institution that understands the need to be flexible."

WHITTIER TRUST COMPANY

South Pasadena 1600 Huntington Dr., South Pasadena, CA 91030 | 626.441.5111
Newport Beach 4695 MacArthur Ct., Ste 1500, Newport Beach, CA 92660 | 949.216.2200
San Francisco 505 Montgomery St., Ste 1200, San Francisco, CA 94111 | 415.283.1850

THE WHITTIER TRUST COMPANY OF NEVADA, INC.

Reno 100 W. Liberty St., Ste 890, Reno, NV 89501 | 775.686.5400
Seattle 520 Pike St., Ste 1415, Seattle, WA 98101 | 206.332.0836
Portland 111 S.W. Fifth Ave., Ste 3150, Portland, OR 97204 | 503.444.3428