

Executive Summary

Retire Secure for Parents of a Child with a Disability

Three Critical Steps to Protect Your Child's Financial Security After You Are Gone

Book by James Lange CPA/Attorney, Deborah L. McFadden, and Julieanne Steinbacher, Esq., LLM

Executive Summary authored by James Lange, CPA/Attorney

My daughter Erica has a disability that will prevent her from providing for herself financially. My wife and I worried endlessly, as do most parents of a child with a disability, about ensuring her safety and prosperity after we are gone. Using just three strategies, we took care of that worry. Consequently, Erica will have an additional \$1.9 million, measured in today's dollars, to support herself over her lifetime, not including government benefits. Using the same strategies, a parent with a \$500,000 IRA can provide their child with an additional \$239,000. Our book takes the reader on our journey and explains how they too can optimize their estate planning for their child. We also provide a menu of tax reduction strategies in addition to the three critical steps. If you have a good background and want to go to read new ideas that you probably don't know, please skip to #3.

Our three strategies were:

1. We formally established Erica's status as disabled. This can be achieved after a successful processing of a Social Security Insurance (SSI) or Social Security Disability Insurance (SSDI) application. Deborah McFadden, Former U.S. Commissioner of Disabilities, has been successfully helping parents get their kids qualified for SSI and SSDI for decades.

Deborah highlights three keys to submitting a successful application:

- a) Use the language of "THEY CAN'T" in your application, i.e., specifically describe what your child cannot do in stark contrast to what *they can* do with accommodations, despite how proud you are of their accomplishments.
 - b) Include letters from your child's doctors that explain how your child's disability prevents them from performing the activities of daily living.
 - c) Keep in mind that SSI has asset limits, so your child can only have ready access to up to \$2,000. If you submit the application the month after your child turns 18, the Social Security Administration won't include your income or assets in the application, provided you do not have any joint bank accounts with your child.
2. With the help of co-author, Julieanne Steinbacher, my wife, and I drafted an optimized estate plan with appropriate wills, trusts, and IRA, 401(k), and Roth IRA beneficiary designation forms. Julieanne's Special Needs Trust (SNT) allows the trustee to "stretch" the Inherited IRA and Roth IRA over Erica's lifetime. It also protects government benefits. To qualify for the "stretch," *the trust*

must be drafted to meet four specific technical conditions. If even one mistake is made and the IRS looks at it, it will trigger a massive tax acceleration for the beneficiary or the trust for the beneficiary. To protect government benefits, you also must have accurate language for the trust. Not getting the language right for the stretch IRA or the protection of government benefits could be disastrous, yet it happens all the time. Julieanne's discussion of estate planning for special needs children answers a lot of questions but also provides cutting edge ideas to help your child be financially secure.

3. We optimized our Roth IRA conversion planning: \$1,297,500 of the \$1,890,544 savings for Erica came from our Roth conversions and contributions. In practice, we rarely see a parent who optimizes their Roth conversion planning until they learn key concepts. Then, the smart IRA owners and the "family stewards" either on their own or with some help, figure out the optimal conversion (usually over a period of years) and get it done. Unfortunately, except for people we work with, we see most people get this planning wrong and the difference can be life changing.

An important concept to understand regarding Roth conversions is that it isn't a matter of opinion. It is a matter of math. We "ran the numbers" comparing many scenarios and implemented the one that was best for both Cindy and me and Erica. It isn't rocket science. But you and/or a number crunching CPA or other professional need to learn the concepts and do the math, preferably with the help of specialized software and even an individual tax preparation software like TurboTax®.

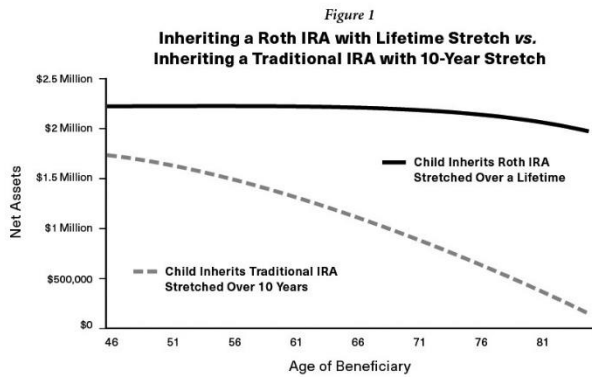
We include several chapters on Roth conversion basics and supplement those chapters with some little-known highly profitable strategies. For example, we show how some 401(k) and 403(b) owners can plan to convert their retirement plans to an Inherited Roth account after they die at their child's low income-tax rate. We examine how to convert after-tax dollars in your IRA or retirement plan to a Roth without having to pay the taxes. We also include some cutting-edge ideas for how grandparents can best provide for their grandchild with a disability. We show how you can take certain medical expenses and offset those deductions by doing a no or little cost Roth IRA conversions and of course, much more.

While it is nearly impossible to summarize a 470-page book in a few pages, our book demonstrates and explains how most parents of a child with a disability can use our strategies to improve their lives and the life of their child.

The book also includes a detailed Table of Contents making it very easy to find a topic or analysis that is pertinent to your situation.

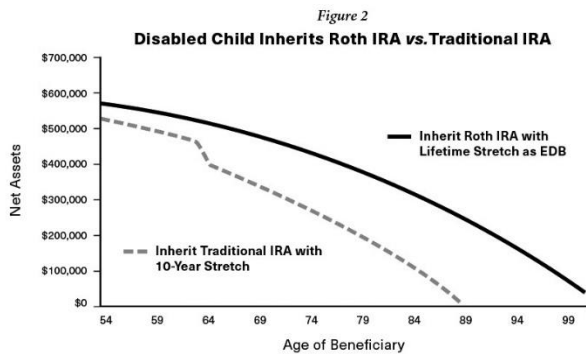
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<https://DisabledChildPlanning.com/RetireSecure>.

The graph below shows the difference between optimal strategies versus the status quo. If you are interested in the results over time and/or the assumptions we used to come to our conclusion, please see below.



Assumptions: Figure 1

1. Starting balances: \$65,000 after-tax investments; \$250,000 traditional IRA in 1998.
2. 28 percent income tax rate on distributions for parent; 15 percent for disabled child.
3. 28 percent Roth conversion tax rate (1998) - \$249,000 Roth conversion done in 1998.
4. 15 percent tax on growth of after-tax investments.
5. Parent does not spend distributions.
6. 6.5 percent rate of return (3.5 percent inflation).
7. Parent converts traditional to Roth in 1998 - \$249,000 (parent age, 41; child age, 2).
8. Parent dies at 85 in year 2041 when disabled child is age 46.
9. Figure shows child stretches retirement plan for 40 years when child is age 86.
10. Annual expenses for child after parent dies in \$138,200 in today's dollars.
11. Maximum 401(k) contributions by parent in years 1998 – 2026 (age 70).
12. Maximum IRA contributions by parent and spouse in years 1998 – 2026 (age 70).
13. We do not include any government benefits the child has received already or may receive in the future.
14. In year 2042, when the child is age 46, the child will pay their expenses using inheritance.
15. Since this is 20 years from now, we used \$275,000 in annual expenses for the disabled child which equates to \$138,200 in today's dollars or \$11,500/month.
16. Inheritance taxes, estate taxes, and any state income tax on a Roth conversion have not been included in the analysis as Pennsylvania does not tax retirement distributions.



Assumptions: Figure 2

1. 6.5 percent rate of return.
2. Traditional IRA assets = \$500,000 + \$152,000 after-tax dollars at death.

3. Roth IRA assets = \$557,000 + \$0 in after-tax dollars at death.
4. Owner dies age 85.
5. Child inherits at age 54.
6. In “inflation-adjusted” dollars.
7. Tax rates = per AGI.
8. Child Social Security = \$25,000 (plus 3 percent inflation).
9. Expenses = \$103,000 [18 years from now (plus 3.5 percent inflation) which is less than \$4,650/month in today’s dollars].
10. Child with traditional IRA runs out of money when he is age 88.
11. Child with Roth IRA has money through age 100.

About the Authors

James Lange, CPA/Attorney



The Wall Street Journal has endorsed Jim’s tax and estate planning strategies 36 times. He has written eight best-selling financial books that help IRA and retirement plan owners get the most out of what they’ve got. Jim’s Roth IRA conversion and SECURE Act expertise was critical in developing a solution for his daughter, and then extrapolating his solution for the benefit of all readers.

Some of Jim’s books have been endorsed by the country’s top experts including Charles Schwab, Burton Malkiel, Larry King, Jane Bryant Quinn, Roger Ibbotson, Ed Slott, Bob Keebler, Larry Swedroe, Stephan Leimberg, and 50 more. Jim just published *Retire Secure for Professors and TIAA Participants* in October 2023.

Deborah L. McFadden, Former U.S. Commissioner of Disabilities



Deborah McFadden was appointed by President George H.W. Bush as U.S. Commissioner of Disabilities and was instrumental in the writing and passage of the Americans with Disabilities Act. For years, she has been recognized as one of the top experts in the country helping individuals with disabilities qualify for SSI, SSDI, and other crucial resources. She is the mother of two USA Paralympic athletes. Her daughter Hannah is ranked third in the world in rock climbing. Tatyana has won 20 Paralympic medals including eight gold medals. Tatyana is one of, if not the most honored, and recognized athletes with a disability in the world.

Julianne E. Steinbacher, Esq., CELA, LLM in Estate and Elder Law



Julianne E. Steinbacher, Esq., CELA, is the founding shareholder of Steinbacher, Goodall & Yurchak, an elder care and special needs planning law firm, with offices in Williamsport, State College, Wyalusing and Wysox, Wilkes-Barre, and Altoona PA. As a former social worker, she has seen the devastating effects the lack of planning for long-term care can have on a family. As an attorney, her goal is to educate the community and empower them to make planning decisions. Each of her law offices has social workers on staff to help families coordinate care and benefits. She can represent people appealing SSI or SSDI rejections in 50 states. She has over 20 years of experience drafting special needs planning documents for families and administering estates. Prior to becoming an attorney, Julianne was employed by AARP and as a geriatric social worker at Valley View Nursing Facility. As an attorney, her goal is to provide a bridge between legal services and the aging network. Julianne is Certified as an Elder Law Attorney (CELA) by the National Elder Law Foundation. In 2008, she developed The Elder & Special Needs Resource Center in Williamsport, which hosts frequent public seminars to educate the public. She has co-authored The Pennsylvania Trust Guide (Editions I and II), The Pennsylvania Special Needs Planning Guide, as well several books in a Protect Your Family series that inform people about planning for the second half of life. Julianne is founder and president of Estate & Long-Term Care Planning, an organization that educates estate attorneys from across the nation in areas of law and best practices.

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