Parents put their trust in trusts

These can help ensure long-term care for children with special needs

Magdalen Ng

Financial planning is about identifying your needs, setting targets and coming up with a plan to achieve them.

To most, financial planning has much to do with building up one's nest egg, funding their children's education or ensuring that there is enough money for medical costs in old age.

For parents with a special needs child, however, there is one far more important need – to ensure that care for their child, who may not be financially independent in the future, will continue long after they are no longer around.

In Singapore, most of these dependants end up being taken care of by relatives. What usually happens is that the parents will leave a sum of money to the designated caregivers, who will use it as they deem fit.

There is no assurance that the funds will not be misused. Many parents are now beginning to look into setting up trusts to ensure that the money set aside for their special needs child will be properly utilised.

A trust generally requires three parties: the donor, who supplies the funds, a professional who agrees to hold and administer the funds according to the donor's wishes, and the beneficiary, who receives the benefit of the funds.

In this case, the parents will put money into the trust fund and the children will receive the money. Each month, the money will be given to the person appointed by the parents as caregiver – either a family member or the child's guardian – and they can stipulate that a certain amount will go towards educational activities, and to providing therapy or full-time domestic help.

What options are there?

■ Private trusts

For wealthier individuals, setting up a private trust is a possibility.

The cost of setting up the trust alone ranges from $3,000 to $5,000, and there is an annual fee of at least $2,000 once the trust is activated – when the trustee starts to disburse the money.

The high costs can be prohibitive for the average Singaporean.

■ Special Needs Trust Company

For those who come from more modest backgrounds, there is the option of the Special Needs Trust Company (SNTC), set up two years ago.

To set up the trust, a minimum fund of $5,000 is needed. Clients can top up the accounts monthly or yearly, or on an ad hoc basis. They can also name the account as the beneficiary of their insurance policies or Central Provident Fund (CPF) savings. Proceeds from a property sale can also be used to top up the trust fund.

The Public Trustee's Office puts the funds into low-risk financial instruments.

Upon activation of the trust, that is, upon the death or incapacity of the parents, the funds will be administered by the Special Needs Trust Company.

The SNTC will conduct a home visit with the guardian or the person assigned to take care of the child, to assess the needs of the child, and disburse the money in accordance with the care plan.

This plan is formulated by the parents, together with a case manager from the SNTC, who will conduct annual reviews with the guardian and, if necessary, modify the disbursement of funds to meet any changes in the needs of the child.

■ Special Needs Savings Scheme

A new scheme in which funds in CPF accounts can be regularly disbursed to cover the child's needs has been set up by the Ministry of Community Development, Youth and Sports.

While details of the SNSS have not been made public, this is a welcome initiative, especially for parents who do not have substantial properties or savings outside their CPF account.

Ms Esther Tan, general manager of SNTC, said: "Money from the sale of a property or insurance payouts cannot be put into the CPF account; a separate mechanism is still needed for that."

There is less flexibility as the monthly payout sum cannot be changed, so if additional expenses arise, the sum disbursed will still be the same.

Ms Tan also notes that the CPF Board does not monitor if the person receiving the payout is using the money for the benefit of the special needs child.

Planning in advance by parents can make a big difference in the quality of care that will be provided for these children. It will also assure their caregivers that sufficient financial resources will be set aside for them to continue looking after the child.

songyuan@sph.com.sg

ST PHOTO: ASHLEIGH SIM

Dr Joseph hopes his daughter will be sufficiently independent to inherit directly, but he has also made fallback plans.

Planning for an uncertain future

Dr Sunil Joseph hopes to have a long life, so he can care for his seven-year-old daughter Sarah-Jane for as long as possible.

Sarah-Jane was diagnosed with autism when she was three, and her primary caregiver is Dr Joseph's domestic help Mailyn Dulay, who has been in her job for seven years.

Dr Joseph, 39, a divorced general practitioner, said: "In this day and age, no one knows what will happen so I have to plan for what happens if I am not around."

He set up a trust with the Special Needs Trust Company (SNTC) two years ago.

He has put in only the minimum sum of $5,000, with the hope that Sarah-Jane will make progress and eventually be independent, so that he can actually pass on his money and property to her directly.

In the event that she still requires full-time care, he has nominated the SNTC as the beneficiary of his insurance policies and as the recipient of the proceeds of sales from his properties.

He earns $12,000 to $18,000 a month and lives in a five-room HDB flat in Jurong.

He believes that putting the money in a trust will be the best guarantee that her needs will be adequately taken care of.

He said: "You can always ask

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Trust in planning for a rainy day

Poly lecturer sets aside money in a trust for son who has Down syndrome

PHOTO: COURTESY OF TAN FAMILY

A family photo of the Tans celebrating the 10th birthday of David (front), who is now 13. By using a trust structure, Mr Tan believes he will relieve the burden on the eventual caregiver of his son of having to deal with a large sum of money.

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It is never too early to plan for a rainy day, says polytechnic lecturer Tan Beng San, especially when it has to do with his younger son David, 13, who has Down syndrome.

"Some of my friends tell me they will think about it when they are going to 'go', but if death is sudden, you won't even be there to set anything up," said the 52-year-old.

Together with his wife Mary, 50, a housewife, he puts aside at least a few thousand dollars a year in a trust he set up, which is managed by the Special Needs Trust Company.

The money in the trust offers a return that is better than if he were to deposit the amount into a savings account at a bank.

"I'm not an investor, so I don't think I can do better than the Public Trustee. But there may be others who feel like they can and would rather invest their own money," he said laughingly.

Part of the monies in his Central Provident Fund account and insurance policies will also go towards the trust.

By using a trust structure, Mr Tan believes he will relieve the burden on the eventual caregiver of his son of having to deal with a large sum of money.

"Let's say I leave $500,000 for David, and I appoint my sister or my older son, Daniel, to take care of him. What should they do with the money? It is a big responsibility," he said.

Also, while he believes Daniel, 14, will take care of his younger brother, he knows the older boy will need to have his own life.

Mr Tan thinks that one good thing about the SNTC trust is that it includes a structured care plan that spells out how David is to be cared for; Mr Tan and his wife can review the plan yearly with SNTC.

"At least I know that someone will be checking on how David is doing, and the fees that the SNTC is charging are really low.

"In a way, SNTC and the Public Trustee are doing this out of goodwill, and I know our son will be well taken care of when we are no longer around," he said.

songyuan@sph.com.sg

Making sure that daughter will be cared for

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your relatives for help and pass them your money, but how do you know that the money is going to the child? At the end of the day, other people have their own needs, and life is hard.

"A trust will be an advocate for the child. It will require receipts from the guardian, it will provide a check.

"The money will be given out according to what I have planned for her."

Dr Joseph hopes that Ms Dulay, 32, will be able to continue caring for Sarah-Jane.

Over the lunch interview, he candidly told her: "There will be enough money to pay you for the next 30 years. So I hope you can take care of her."

Having a private trust was not an option for Dr Joseph, because of the sum of money that would have been involved in setting it up.

He said: "I have some private banker friends, and they said that I would have to put in about $2 million.

"I don't have that amount of money.

"But we are comfortable, and I try to save as much as I can, so that my daughter won't be left in the lurch."

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