Young or Disabled Children and your Estate Plan

When parents die prematurely, a lot of loose ends can be left behind. The following precautions can help avoid potential legal and economic pitfalls.

- *Review all accounts for which you are a custodian for your child.* Include those at banks, mutual fund companies or brokerage houses, as well as 529 college savings plans; verify that there is an alternative custodian. You should not be the custodian of an account that you set up.

- *Determine whether children are named as primary or backup beneficiaries of retirement accounts, such as IRAs and 401(k)s – either your own or accounts set up by the child's grandparents*. Discuss with financial advisers the possibility of creating a trust to receive the child's share.

- *For a child with special needs, do not create custodial accounts or 529 college savings plans for that child if she may become dependent on public benefits*. If you or a relative have already set up such an account, spend the funds on your child before she will be eligible for public assistance. If a 529 plan is in place, consider changing the beneficiary to another family member in the same generation.

- *Make sure life insurance policies are owned by a trust and that it is named as the beneficiary of the policy (the child, in turn, is a beneficiary of the trust).* This should a special needs trust if your child has a disability that would ultimately qualify him or her for public assistance.

- *Examine any existing trusts that name your child as a beneficiary*. If you have a special needs child, the trust should not give him or her a Crummey power – the right for a limited time, usually 30 or 60 days, to withdraw from the trust the contribution to the trust during the current year.

- *Keep plans up to date*. It may be necessary for you or your relatives to amend wills and trusts to cover children born after those documents were signed.