

Making provisions for your children's money



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By **MELISA SLOAN**

FOR MANY parents, it is important that all their children are treated equally.

The question that causes most people angst is what strategies they need to implement in their Will to ensure that their child is adequately catered for if they cannot adequately control their inheritance themselves through either disability, dependencies, or other factors.

Child with an inability to control their money

In instances where a child cannot control their inheritance due to substance or dependency addiction, spendthrift, influence, or just a general inability to be good with money, there are options available to you.

One of the most common ways to make provision for that child's inheritance is by making a provision in

your Will for your child's inheritance to be paid to a Capital Protective Trust or Testamentary Trust.

The Capital Protective Trust or Testamentary Trust is set up in accordance with the provisions of your Will.

It allows you to appoint a family member, or other trusted person, to control this trust on behalf of your child during their lifetime.

You may stipulate what the funds in the trust can be used for and can include accommodation (whether acquiring a property for them or paying rental accommodation), medical expenditure, medical insurance, rehabilitation costs, education, recreation, entertainment, expenditure on personal fittings and furniture, holiday travel, and personal incidentals.

Should you wish, your child may also receive an income from the trust, and this would need to be considered in light of any Centrelink or other government benefits that your child may receive.

Capital Protective Trusts and Testamentary Trusts are helpful to

parents who want to treat their children fairly but have concerns about them controlling their inheritance.

By creating this Trust for their child in their Will, they ensure that their child with dependency, spendthrift or other money issues will be adequately looked after.

Disabled child

Caring for a severely disabled child is often a lifelong journey and one that creates stress for parents in how their disabled child will be cared for when they are no longer here.

Often, the familiarity and routine that your disabled child is used to is something that you wish to continue after your demise and may wish them to remain in the family home or within their community if possible.

One of the most popular options available to parents with a disabled child is a Special Disability Trust.

Similar to the trusts referred to above, this trust is created for the benefit of your disabled child, specifically to provide for their care and accommodation needs.

It is a mechanism for parents to plan and provide for the care, accommodation, medical costs, and other needs of a child with a severe disability during their lifetime.

One of the favourable aspects of the Special Disability Trust is that the assessable assets of the Special Disability Trust — of up to \$781,250 (as at July 1, 2023) — are exempt from the Centrelink assets test.

In addition, should you wish to leave your family residence to your disabled child, it is deemed not to be an assessable asset and would not be included in the asset value link for Centrelink purposes.

Withdrawals from the Special Disability Trust are restricted to care and accommodation needs together with discretionary spending up to \$14,000 (as at July 1, 2023).

Discretionary spending encompasses social inclusion workshops, clothing, recreation and leisure, household, and personal items.

Special Disability Trusts are a good way to provide for the future financial

needs of your disabled child, provided that they meet the requirements and criteria for establishing such a Trust.

These requirements include that your child must have a severe disability, being a severe intellectual, psychiatric, physical, or behavioural disability or medical condition.

If your child does not meet the criteria for a Special Disability Trust, there is also the option to put in place a Capital Protective Trust or Testamentary Trust, as discussed earlier in this article.

It is important that you do not feel alone or isolated when determining how best to leave an inheritance to a disabled child or a child who cannot control their inheritance.

With the appropriate advice and guidance, you can implement the appropriate strategies to put in place a Will that confirms your wishes, providing you with peace of mind.

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