



How to navigate finances for a specially abled child

With financial institutions failing specially abled families, it's time for parents to take control

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Vikas Arya, 48, a resident of Delhi learnt a tough lesson in financial bureaucracy when he attempted to open a bank account for his 21-year-old daughter.

Despite multiple visits and over two months of constant efforts, the account remains nonoperational. "I applied to open a joint bank account for her and my wife. Even senior executives had no idea what process was to be followed," he said. Arya, in fact, has not even received the welcome kit. "It seems bank officials are still trying to figure out what should be done in our case," he added.

Arya's situation is not unique. Bengaluru-based Sunil Kawariya faced a similar situation when his insurer rejected a claim for his seven-year-old daughter, despite her being included in the family floater policy since birth.

While rejecting the claim the insurer said it was a congenital disease and is not covered by the insurance, Kawariya said. "Autism is visible medically only when the child turns two or three. By nature, it could be by birth, but we had not hidden any of this information."

Even being transparent and self-declaring existing ailments may not guarantee that the claim will be settled.

Aishwarya Magesh, 42, experienced the same frustration. Despite declaring her son's cerebral palsy while purchasing a policy, the claim was denied due to it being a congenital condition. "It irked me how they accepted the policy proposal after the self-declaration and collected the premium but did not settle the

claim. I now invest to create a healthcare fund for him."

Opening a bank account or processing a claim settlement is often simple for most people, with bank executives and insurers even offering doorstep services. However, for parents of autistic or specially-abled children, these tasks can be a shocking ordeal due to a lack of professionalism and empathy from financial institutions.

Moreover, expenses for a child with special needs can be substantial. For instance, Sunita Singh, 34, a resident of Bengaluru spends ₹3 lakh annually on her child's special education and nearly ₹25,000 monthly on therapies.

"I spend ₹3 lakh a year on his education. The inclusive school or Montessori insists on appointing a shadow teacher. They don't pick up and drop off our child unless a shadow nanny is hired due to safety concerns. Otherwise, parents have to do it, which would only add to our costs," said Singh.

"Therapies are also very expensive, and costs are not regulated; every therapy centre is free to charge as they wish. I spend almost ₹25,000 every month," she added. Financial.

Financial planning

Challenges abound. The financial planning of a family with a specially abled child is different from a normal family. A normal working professional considers retiring at 60, while charting a financial plan. However, parents of children with special needs may not be in a position to work that long. Moreover, they need a much higher emergency corpus, which can last for at least nine to 13 months and allocating a good amount for the healthcare fund.

According to Jitendra Solanki, a Delhi-based



Securities and Exchange Board of India (Sebi)-registered investment advisor who specializes in financial planning for families with children with special needs, parents of specially-abled children have to plan for two generations. "For themselves as well as their child. So, we suggest creating a separate financial plan for the child and adding these expenses in the master financial plan of the family," he said.

The first step is to estimate expenses required to secure their sunset years and the child's lifetime care. If they are short of funds, factoring in future income, they could put in effort to arrange for it and invest the monthly surplus astutely to fetch good returns. Insurance will always play a key role here, he added.

"People make a mistake of adding the child in their normal medical policy. Insurance companies have designed a separate product for people with disabilities, as per IRDAI (Insurance Regulatory and Development Authority) mandate, which is a standard product covering 21 disabilities," said Solanki.

For instance, the Niramaya' Health Insurance Scheme offers annual coverage of ₹1 lakh to all families with specially abled children. "It is a government scheme that not only covers hospitalization but also regular expenses including therapies. However, the latter offers a cover only up to a certain amount, not the entire ₹1 lakh."

The scheme has no income bar. All parents with a child with special needs are eligible for it, Solanki said. For life insurance, the popular ₹1 crore term cover will be inadequate for parents with specially-abled children. "We did calculations for an 18-year-old child whose annual expenses would cost his parents ₹6 lakh. We suggested to them to opt for a term cover of ₹2.5 crore," said Solanki.

Checklist

A "person with disability" is defined as someone certified by a government-approved medical authority to have a disability of at least 40%, according to the Persons with Disabilities (Equal Opportunities, Protection of Rights, and Full Participation) Act of 1995

. Every person with a disability should obtain a Unique Disability Identity (UDID) card.

"UDID has succeeded the disability certificate. Launched by the government with the objective of creating a database for persons with disabilities across India, it can be issued by notified hospitals in the home district as well as the hospital where the person with disability is taking medical treatment," said Rajat Dutta, founder and initiator of Inheritance Needs Services Pvt. Ltd.

The other crucial step is to obtain a legal guardianship certificate once the child turns 18 if they are medically unfit to make independent decisions.

Solanki advises parents like Arya to open separate bank accounts for their specially abled adult children, where one parent can act as the legal guardian to manage operations on their behalf.

"Parents are natural legal guardians for minors. The legal guardianship certificate ensures they continue being so even after the child turns 18."

One should accord legal guardianship to a trusted person in will and trust to ensure the child is cared for in their absence. Also consider power of attorney, said Dutta. "While they are alive, the parents should gradually introduce the legal guardian to not only the child but also other stakeholders like banks, and financial institutions. This enables a smooth transition from the parents to legal guardians."

Next, there are tax benefits to consider. Section 80DD of the Income Tax Act allows resident individual taxpayers and the Hindu Undivided Families (HUFs) to claim deductions of up to ₹75,000 (₹1.25 lakh if disability exceeds 80%) for expenses related to the support and maintenance of their dependents. This provision includes insurance premiums. Dependents, in this context, refer to the spouse, children, parents, siblings of the taxpayer, as well as members of the HUF.

Section 80U of the Income Tax Act offers the same tax deduction directly to the specially abled persons, who are resident individuals. "If parents have already claimed it under 80DD, their offspring cannot claim it under section 80U," Chintak Shah, vice president,

A key step is to obtain a legal guardianship certificate once a child, who can't take independent decisions, turns 18



Anand Rathi Wealth Ltd, said.

There's one more tax benefit that not many people are aware of. "For normal families, the income of a minor child is clubbed with the parent's income when filing taxes. However, clubbing provisions do not apply to parents with a specially abled child. Therefore, it would make sense to make some investments in the child's name to reduce the family's overall tax liability," said Shah (see graphic).

A secure financial life

Most children with special needs require lifetime financial support for day-to-day expenses; estimate it today to accumulate it



VIKAS ARYA (48), Delhi

Has a 21-year-old specially-abled daughter

“ Bank executives could not help me in opening a bank account for her.



SUNIL KAWARIYA (36), Bengaluru

Has a 7-year-old specially-abled daughter

“ Claims rejection due to autism being a congenital disease even as diagnosed later.



AISHWARYA MAGESH (42), Chennai

Has a 15-year-old specially-abled son

“ Left job and moved from Mumbai to hometown to give extra care to son.

Key financial tasks to do

- ▶ Obtain a UDID* card if applicable
- ▶ Legal guardianship certificate when the child turns 18
- ▶ Power of attorney
- ▶ Get Niramaya health insurance, a govt-backed scheme
- ▶ Buy a separate pvt health plan exclusively designed for PwD
- ▶ Create a financial plan to estimate the child's lifetime care

*Unique Disability Identity
PwD - persons with disabilities

Tax benefits against expenses incurred for PwD



- ▶ ₹75K-₹1.25 lakh u/s 80DD for parents/siblings
- ▶ ₹75K-₹1.25 lakh u/s 80U for the PwD
- ▶ One of the above can be availed for one PwD

Smart tax tip

Clubbing of income not applicable for minors with special needs*

Example:

Fixed deposit	₹50 lakh
Interest rate	8%
Annual interest income	₹4 lakh
Tax at 30% slab rate	₹1.20 lakh

- ▶ Transfer this FD to minor's name
- ▶ Zero tax on minor's ₹4 lakh interest income
- ▶ Total tax saving ₹1.20 lakh

*It does for other minors
Source: Anand Rathi Wealth Limited