

ESTATE PLANNING FOR BLENDED FAMILIES

How to successfully transfer wealth to take care of all family members

Today, blended families (second marriages, multiple sets of children, etc.) are increasingly common. In fact, blended families are beginning to outnumber traditional families and almost 2,100 blended families form in the United States every day. At the same time, over 29 million parents in the U.S. are also parents to stepchildren.

Today's families can bring with them complicated and emotional challenges when it comes to end-of-life planning and wealth transfer. There are steps, however, that you and your advisory team can take to mitigate these challenges.

This may seem obvious, but a comprehensive tax and estate plan is essential to make sure that a surviving spouse, as well as the next generation, are taken care of and that wealth is preserved. A well-rounded team of advisors (i.e. estate planning attorney, financial advisor, accountant, and trustee/executor) will assist in creating and implementing this plan.

Oftentimes, an individual with a blended family must be very thoughtful and deliberate in his or her approach to estate planning. A basic will, for example, may leave a surviving spouse with great freedom and control over assets. In this scenario, there is a greater potential for conflict between the surviving spouse and non-biological children. Additionally, with a basic will, there is a chance of some beneficiaries being unintentionally left out of an inheritance.

Trusts can give a clear understanding of the division of assets after a grantor's death while caring for a surviving spouse and children separately – so as to lessen any tension between family members. QTIP, life insurance, joint revocable, and bypass trusts are a few examples of planning tools that may help blended families. Trusts have added benefits of helping to protect family members from issues like divorce, creditor protection, and poor fiscal management. In other words, trusts can be used to preserve a family's wealth and legacy.

When using a trust strategy, blended families must consider who will serve in the role of trustee. A corporate trustee or co-trustee is usually adept at handling delicate family dynamics. Corporate, professional trustees are impartial and diplomatic in the role, helping blended families to navigate issues while ensuring that all family members are represented.

Advisors may also counsel blended families on strategies to ease the stress that may come along with end-of-life planning. Communication, while not always easy, is vital to keeping the peace between family members (blended or not). Generally, the older generation should be transparent and inform all sets of children of their estate plan. All beneficiaries should have a basic understanding of how any inheritance will work. Through open communication, a grantor or couple will set expectations for all parties involved and ease potential conflicts that may arise when one spouse does die.

Every family is different. Blended families, in particular, need a customized plan and strategy in order to preserve family harmony and avoid family conflict. A blended family should utilize a team of trusted advisors to get to know their family members and their unique circumstances. Cumberland Trust, as corporate trustee, along with your legal, financial, and tax advisors, will work together to ensure your plan is tailored to you.

Please visit cumberlandtrust.com to learn more about how our comprehensive trust services can help your family.



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