

## HOW BLENDED FAMILIES ARE CHANGING THE ESTATE PLANNING RULES



By: Kylie Ora Lobell - June 15, 2020

Estate planning can be complicated enough, but when it comes to blended families, the issue becomes critical since current spouses and children from a previous marriage need to be protected. To avoid estate planning issues, families need to be open about the process, set up trusts, and designate trustees.

Weighing the kinds of issues that may occur when it comes to estate planning for blended families is the first step in figuring out the right move to make when it comes to your own future.

### Issues With Estate Planning for Blended Families

Estate planning for blended families can be difficult because everybody might not be on the same page, according to Lance Browning, senior vice president and founding partner at Income Solutions Wealth Management.

“Think about it: All of a sudden, people [who] are not blood-related are related, and may all be ultimate beneficiaries. This comes with its own set of challenges. Everyone in the equation may have their own wishes, expectations, and agendas,” Browning says.

According to Sheena Sahni, a wealth management advisor with WestPac Wealth Partners, “Not only are the financial issues of blended families more complex, but the emotional issues around those decisions are much more intense, especially when dealing with the competing interests of your own children, stepchildren, and a new spouse,” she says.

Additionally, Neel Shah, estate planning attorney at Shah & Associates and financial adviser/owner at Beacon Wealth Solutions, believes that the adult may want to care for their surviving spouse and children from the previous spouse when they pass away.

“Contemplating your estate planning considerations after getting married for a second time is especially important because there are critical issues that could easily be overlooked,” he says. “These could leave your children from your first marriage, or even your new spouse, at a disadvantage.”

Sahni believes that if estate planning for blended families isn't done right, there is the potential for children to be disinherited, there may be delays in the children's receipt of the inheritance, assets may not be protected from former spouses, and there could be disputes over the division of authority or responsibility.

To avoid conflict as much as possible, it's important to look into estate planning strategies for blended families. The following are a good starting point.

### 1. Set Up a Revocable Trust

According to Shah, those in a second marriage can leave their assets separate and set up their own revocable trusts. “A trust could be established with the benefit of a surviving spouse after the first spouse passes away,” he says. “This would enable the surviving spouse to tap into income or even principle.”

### 2. Decide What's Fair

It's up to the spouses to figure out what will be fair to the children and stepchildren when doing estate planning for blended families. Browning said that the differences could be sorted amicably with the help of a competent attorney. Even though mediation is an option, he suggests that it could put a strain on a marriage.

### 3. Choose Trustees

While the main trustee is usually the surviving spouse, there should be a backup trustee as well. It's important to choose wisely because, as Shah points out, the trustee can withdraw all of the principle that's inside of the trust, which could potentially disinherit children, even if it's by accident.

### 4. Be Open About the Process

Setting up a trust or doing estate planning without the family's knowledge can lead to bad feelings all around. According to Sahni, family meetings can be used to communicate and prepare with everyone in mind. It's crucial “to maintain meaningful and ongoing communication among all concerned parties,” she says. “Open, honest, and consistent dialogue is one of the key elements that will bring all parties to common ground when making decisions.”

### 5. Start Doing Financial Planning Now

Estate planning for blended families shouldn't just focus on death. It also needs to take into account the here and now. Financial planning, according to Shah, should include doing a comprehensive review of liabilities and assets, and determining how to address the current financial situation and future financial wishes. “Whether you are remarrying after the death of a spouse or after a divorce, it is important to enter into this with new and smart financial planning,” Shah says.

Estate planning can be complicated and confusing. But by following these tips and being proactive, blended families can ensure the process goes as smoothly as possible, and the outcome is favorable and fair for everyone involved.

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