

IT'S YOUR LIFE

Family Succession Planning

Family Succession Planning with Trusts

Parents want to see their children and grandchildren succeed. But, if the parents die, will that goal be met? Family succession planning using trusts can effectively help the next generation succeed by properly protecting their assets.

Minor children

It is generally not advised to give an inheritance to an 18-year-old, but this is what could happen with no planning. If a child is under 18 when the parent dies, the court will impose a guardianship. Generally, the inherited assets must be turned over to the child when he or she reaches legal age. To avoid this, a trust is required. The trust can be designed to do what you would have done if you were still alive: meet the child's needs; pay for college, a wedding, a house; help start a business; etc. Additionally, it can be designed to make lump sum distributions at certain ages.

Special needs children

As long as one parent is living, a special needs child's necessities can be met. But what happens when both parents are gone? Many of these individuals are eligible for public assistance of some type. If they inherit outright from their parents, they will likely not be eligible for the assistance until the inheritance is spent. Parents should consider setting up a trust that will supplement the child's needs without disqualifying him or her from assistance.

Children with chemical, gambling, creditor, motivation problems

Children with issues that a sudden influx of money could exacerbate may need protection from themselves and from their creditors and predators. For these children, parents should consider putting their share of inheritance into a trust. The trustee could have the discretion to make partial distributions if the child reaches certain milestones (becoming chemical free, getting credit under control, etc.), or for accomplishing certain goals, such as graduation from college, or legally earning an income, which could be matched dollar for dollar.

Children's spouses

Sometimes, parents are concerned about a child's spouse, marriage stability, or debt issues. Parents with these types of concerns should consider putting that child's inheritance into a trust that provides lifetime income to the child, but with an ultimate distribution to the grandchildren (bloodline trust).

Blended families

Things can get complicated when a parent remarries and has children from a previous marriage or relationship. Without proper planning, the parent may inadvertently disinherit his/her own children. This would happen if the bulk of the estate passes primarily to the new spouse. Before remarrying, it is strongly suggested that parents with significant assets consider a prenuptial agreement and trusts to protect assets for their "bloodline" heirs.

A qualified, experienced estate planning attorney can help you work through your concerns and put together a plan that provides appropriately for your children after you're gone.

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