

Estate Planning Tips for Blended Families

Most of us need to do some type of estate planning, but it's especially important if you are part of a "blended" family. And the best time to start is *now* – before these plans need to be implemented.

Estate planning can be complex, so you will need help from a qualified legal professional. But here are a few general suggestions that can be suitable for blended families:

- *Update beneficiary designations* – and think about multiple beneficiaries. Update the beneficiary designations on your retirement accounts and insurance policies to reflect the reality of your blended family. These designations can supersede the instructions you provided in your will. So if your will states that your current spouse should inherit your assets, but you had named your former spouse, or a child, as the primary beneficiary of an IRA, then your former spouse or your child – not your present-day spouse – will indeed receive the IRA.

To ensure that "everyone gets something," you could name your current spouse as primary beneficiary and your children from a previous marriage as equal contingent beneficiaries. But the primary beneficiary will receive *all* the assets and is free to do whatever he or she wants with the money. To enact your wishes, you can name multiple primary beneficiaries and designate the percentage of the asset each beneficiary will receive.

- *Create a living trust* – and consider a professional trustee. A living trust can help you avoid the time-consuming and costly process of probate, while giving you great freedom to determine how, and when, you want your assets distributed. After you pass away, the trust, if structured properly, can provide your surviving spouse with income for life; then, after your spouse dies, your children from an earlier marriage would receive the remainder of the trust.

So far, so good. However, issues can arise if you name your surviving spouse

or one of your children as the "successor trustee" who will take charge of the trust upon your passing. Your spouse, acting as successor trustee, could choose to invest only in bonds for income, but if he or she lives another 20 or so years, the value of the investments within the trust will probably have diminished considerably – leaving your children with very little. Conversely, if you name one of your children as trustee, the child could invest strictly in growth-oriented investments, leaving your surviving spouse with greatly reduced income. To be fair to everyone, you may want to engage a professional third-party trustee. This individual, or company, is not a beneficiary of the trust, is not entitled to share in the assets of the trust, and, ideally, should have no "rooting interest" in how proceeds of the trust are distributed.

- *Consider a prenuptial agreement.* When it's time to settle an estate, a prenuptial agreement can help avoid disputes among members of a blended family. If you and your new spouse have agreed to keep your assets separate so that each of you can pass an inheritance to your own children, you need to spell out that separation in your "prenup," your will, your living trust and any other relevant estate-planning arrangements.

Above all else, share your estate-planning intentions with members of your blended family. You may not be able to satisfy everyone, but through open communications, you can help prevent bad feelings – and unpleasant surprises.

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