

Update your estate plan to reflect your second marriage

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If you're in a second marriage or planning another trip down the aisle, it's vital to review and revise (if necessary) your estate plan. You probably want to provide for your current spouse and not inadvertently benefit your former spouse. And if you have children from each marriage, juggling their interests can be a challenge. Let's take a look at a few planning tips.

Take inventory

Have you updated your will, trusts and beneficiary designations to name your current spouse where desired? Bear in mind that the terms of your divorce may require you to retain your former spouse as beneficiary of certain pension plans or retirement accounts.

Next, assess your financial situation and think about how you want to provide for various family members. For example, do you want to provide for all children equally? Will you favor biological children over stepchildren?

Also, are children from your first marriage significantly older than children from your second marriage? If so, their needs likely will be different. For example, if children from the first marriage are college age, in the short term they may need more financial support than children from your current marriage. On the other hand, if your older children are financially independent adults, they may need less help than your younger children.

Use trusts

Trusts generally avoid probate, so your assets can be distributed efficiently. However, if you leave your wealth to your current spouse outright, there's nothing to prevent him or her from spending it all or leaving it to a new spouse, effectively disinheriting your children. To avoid this result, you can design a trust that provides income for your current spouse while preserving the principal for your children.

Trusts are particularly valuable if your children from a previous marriage are minors. Generally, if you leave assets to minors outright, they must be held in a guardianship until the children reach the age of majority. It's likely that your former spouse will be appointed guardian, gaining control over your wealth. Even though your former spouse will be obligated to act in your children's best interests and will be supervised by a court, he or she will have considerable discretion over how your assets are invested and used.

To avoid this situation, consider establishing trusts for the benefit of your minor children. That way, a trustee of your choosing will manage the assets and control distributions to or on behalf of your children.

If you're preparing for a second trip down the aisle or have recently wed for a second time, please contact us for help reviewing and, if necessary, revising your estate plan.

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