Blended Families: Handling Financial Matters After Remarriage

Estate planning can especially complicated for those who remarry.

In addition to considering your spouse and children in your current marriage, you may have children from prior marriages and stepchildren.

Ensuring that everyone is treated fairly can be a challenge. Here are five tips that can help:

1. **Discuss your desires with your spouse.** Ideally, you would discuss these issues prior to marriage and formulate them in the form of a prenuptial agreements. Make a list of assets that you each brought into the marriage, as well as assets obtained after you got married. Discuss how you want these assets distributed after your death:

- How will you treat children from prior marriages?
- Will you each make your own provisions or will you consider all of the children jointly?
- Does a divorce decree from a previous marriage have provisions that need to be considered in your estate plan?

All of these concerns impact how you distribute your estate. Once you reach agreement with your spouse, all estate planning documents should support these decisions.

2. **Determine if trusts are necessary to protect your children.** When assets are left outright to your spouse, he or she controls the ultimate distribution of those assets. You may want to use a qualified terminable interest property trust (commonly referred to as a Q-TIP trust) to protect your children's interests. Designated assets are placed in the trust, with income distributed to your spouse during his or her lifetime. Since this trust is structured to qualify for the unlimited marital deduction, no estate taxes will be paid when you die.

After your spouse's death, the principal is distributed to your heirs. This strategy may not work if your spouse and children are approximately the same age, since your spouse could outlive your children. It also may not work if there is not enough money for your spouse to live on with the trust in place.

3. **Check how your property is titled.** Jointly owned property automatically passes to the co-owner. You cannot change this distribution through a will. You may want to put your home in a trust or create a "life estate" for either of the parties.

4. **Review beneficiary designations and life insurance amounts.** It's not uncommon to forget to update beneficiary designations for retirement accounts, individual retirement accounts, and life insurance policies. If you overlook the task of changing the designations, these assets could be distributed to the named beneficiaries, regardless of the terms of your estate planning documents. So take a look at those designations to ensure coordination with your estate plans. Check with the plan administrator prior to changing or designating beneficiaries. While you're at it, review your life insurance policies. You may need more life insurance to help ensure that all your heirs are treated equitably.

5. **Discuss your plans with family members.** *Keep in mind:* Even if you have a will, your spouse can often override the terms and elect to receive a statutory percentage of your estate. To prevent this, you typically need a prenuptial or nuptial agreement, detailing how assets will be divided after death.

The Law Office of Eugene Gorrin, LLC
17 Watchung Avenue, Suite 204
Chatham, NJ 07928
973.701.9300
egorrin@gorrinlaw.com
www.gorrinlaw.com