

QTIP trusts may be the estate planning solution for second marriages

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If you're in a second marriage, or planning another trip down the aisle, estate planning can be complicated, especially if you have children from a prior marriage and your net worth is large enough that estate taxes are a concern. One strategy for meeting this challenge is to set up a qualified terminable interest property ("QTIP") trust.

Wealth transfer tools

A planning tool for affluent couples is the marital deduction, which allows one spouse to transfer an unlimited amount of wealth to the other tax-free. To take advantage of the marital deduction, you generally must leave assets to your spouse outright. However, there's no guarantee that your current spouse will provide for your children from a previous marriage.

This is where a QTIP trust can help. It allows you to enjoy the benefits of the marital deduction and provide for your current spouse (through annual payments of trust income), while preserving the trust principal for your children from a prior marriage.

When you establish a QTIP trust, the marital deduction shields the trust assets from estate taxes. When your spouse dies, the assets are included in his or her estate and may be taxable, depending on the size of his or her unused exemption.

Because your children won't receive their inheritance until your current spouse dies, a QTIP trust may not be the best choice if your spouse is significantly younger than you. Under those circumstances, consider other tools, such as an irrevocable life insurance trust (ILIT) to provide funds for them.

Plan with care

Remarrying can complicate estate planning, especially when there are children from a prior marriage. To avoid undesirable outcomes, work with us to ensure your plan reflects your wishes.

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