

The Wealth Advisor

A monthly newsletter for our valued clients

Planning for Blended Families: Second or Later Marriages and Divorce of Beneficiaries

A brief look at statistics reveals that family structure has dramatically changed over time and that there's an astonishing variety of family structures out there. Everything ranging from the "traditional" nuclear family to blended families of step-siblings and half-siblings headed by parents in a second or later marriage.

Most of us want to take care of our spouse, our children, and maybe the rest of our family too. But, letting everyone else work out the details after you are gone or incapacitated means chaos, and, sadly, the risk of a family being torn apart.

It's not just your immediate marriage that you should be concerned about – the marriages of every beneficiary named in your plan can affect your estate planning.

Proper estate planning can alleviate your concerns about your unique family situation, giving you the confidence and peace of mind that your wishes will be carried out.

Why does this matter for your estate planning? Since not all families are alike, you can't rely on an off-the-shelf estate plan or make assumptions based on other families' experiences. Work with an experienced estate planning attorney to understand the obstacles and opportunities available to you and your family.

Assessing Your Family's Needs and Challenges

First things, first. You need to have honest conversations with your spouse about your goals for the future, your existing finances and how you would like your assets to be distributed. While these conversations have the potential to be emotionally-charged and difficult – for instance, what if your husband's oldest son can't manage his finances, but he is in denial and he refuses to talk about his son's past business mistakes? You need to air your concerns in a safe context. Sweeping problems under the rug will all but guarantee hurt feelings and negative financial

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ramifications later.

One big concern will likely be to make sure that each spouse's portion of the estate goes to each desired beneficiary. In other words, if you have a child from a previous relationship, that child's inheritance needs to be protected even if the child's parent is the first spouse to pass away. For instance: after the first spouse dies, what if the surviving spouse amends the documents to remove whomever he or she wants from the inheritance, including the deceased spouse's children? Your children need fairness, as do your spouse's children.

Get creative when planning. Seek guidance from professionals who have worked with families like yours in the past. Be open to different solutions; likewise, think about contingencies and ask "What If?" a lot. By examining all your fears and similarly exploring possible solutions, you will be more likely to find a *better* plan that will give you more peace of mind.

Finally, recognize that estate planning is a fluid process. The plans you make today (or within the next three months, let's say) will likely need to be revised and amended as the years pass. For instance, over the next decade, your wife's oldest daughter might start a business, marry and have two children: your plan should then be updated to reflect her new financial reality and challenges.

Tools and Solutions

Let's explore some useful tactical information:

Beneficiary Forms

Do you have a significant amount of wealth in your retirement accounts and life insurance policies? The beneficiary designation controls these assets, not your trust or will, so these designations need to be coordinated with your overall estate planning.

Think about your estate planning as a whole as well as these separate accounts. For instance, you may wish to allow your estate to pass to your children while providing a death benefit through a life insurance plan for your surviving spouse. However, do not name minors as beneficiaries, since they are not legally able to control assets. If you do, the court may appoint a guardian to manage the asset until the child turns 18. We can discuss strategies that will allow your spouse or children to receive benefits from your retirement account and life insurance policies without court intervention.

Advanced Health Care Directive

A health care directive gives you the opportunity to name a trusted family member to make decisions about your health care, should you not be able to voice your opinion. Keeping your health care directive up-to-date is always helpful for your physicians and other medical professionals in the event of an emergency. This is also a chance to discuss your feelings about burial arrangements, organ donation, and end-of-life care with your new spouse.

Power of Attorney for Financial Affairs

Similar to a health care directive, a power of attorney gives you the opportunity to name a trusted family member to manage your legal decisions and financial affairs should you not be able to do so. If you have already named a power of attorney, including a previous spouse, make sure that

you revoke him or her before naming your children, new spouse or another trusted individual as your agent. It is also a good idea to keep your power of attorney “fresh” by renewing it every so often since powers of attorney that are older than a year or two might not be accepted by a bank or third party when needed.

Trusts

Trusts are probably the most flexible estate planning tool out there. If you haven't had yours looked at in the last four years, it's probably worth a review. If it's been longer than 10 years, it almost certainly needs a complete overhaul, because there have been so many changes in laws over the last decade.

It might make sense to create a trust that benefits your spouse during his or her life while ensuring that those assets ultimately end up with the beneficiaries you choose. Additionally, you may want your children to receive your separate property (like a family heirloom or ancestral lands) at your death while other property remains in the trust until he or she passes, at which time whatever is left will go to your children. Creating these trusts involves multiple considerations, so it's best that we talk before you decide the best path forward.

Every family, blended or otherwise, presents its own set of challenges, both personal and legal. We can guide you and your loved ones through the process, discuss your wishes, and help you effectively plan for the future. Call us today to discuss estate planning for your family, and we will be more than happy to answer any questions or concerns you might have.

This newsletter is for informational purposes only and is not intended to be construed as written advice about a Federal tax matter. Readers should consult with their own professional advisors to evaluate or pursue tax, accounting, financial, or legal planning strategies.

You have received this newsletter because I believe you will find its content valuable. Please feel free to [Contact Me](#) if you have any questions about this or any matters relating to estate planning.

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