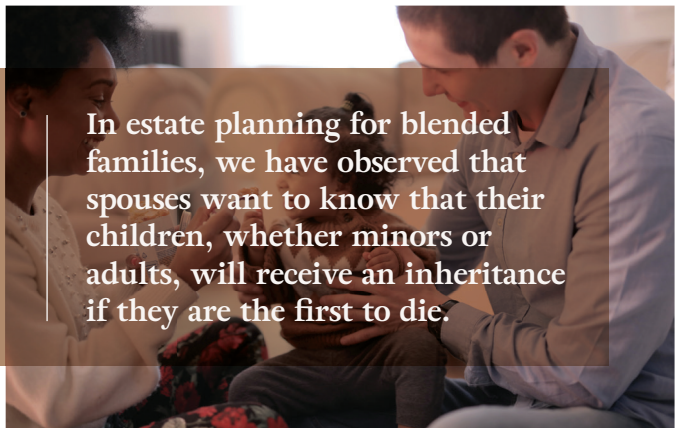
ESTATE PLANNING FOR BLENDED FAMILIES:

More to *Consider*

One of our roles is assisting clients with their estate planning. Several factors can make this a complicated process, but one that creates an added degree of challenge is when there is a blended family. A blended family is a couple who may or may not have children together but do have children from a previous relationship.

The traditional estate planning approach involves the spouses leaving all their estate to each other on the first to die. However, a blended family situation is typically more complex as the individual naturally feels a split commitment to their new spouse and children from a prior relationship.

If a will is drafted using a traditional family approach for a blended family, the surviving spouse will inherit everything on the first to die. But that may be problematic. Years may go by before the second spouse dies, and while there may have been good intentions by the surviving spouse to include stepchildren in the estate distribution, it is conceivable that the surviving spouse may change their mind. If that happens, there would be nothing to prevent that spouse from signing a new will and leaving everything to their children, or a new spouse.



> In estate planning for blended families, we have observed that spouses want to know that their children, whether minors or adults, will receive an inheritance if they are the first to die.

So, *You* Need to Decide

What goes to your surviving spouse, and what goes to your children? It is critical to communicate and agree on how your respective estates will be disbursed, even if the conversation is awkward.

Typically, our advice is that the individuals provide an inheritance for their children on the first to die. That way, all questions about whether the surviving spouse will include the stepchildren in their estate plan will be removed.

In this process, factors that require consideration include the overall size of the estate, the amount each individual brought into the marriage, the age of the children, and the types of assets in the estate.

Once the desired outcome is generally determined, various tools and strategies are available to help with the implementation. For example, you may set up your real estate ownership with either 'rights of survivorship' or 'tenants in common.' For registered investment accounts such as TFSA and RRSP/RRIF you can name specific beneficiaries. Other tools for the blended family to meet estate planning objectives are life insurance and trusts.

We recognize that estate planning can be a daunting task for anyone, but this topic is often more burdensome for those in a blended family. Our goal as family wealth advisors is to provide a platform for these important conversations to take place, leading to increased clarity, better decision-making, and increased likelihood of smooth transitions of wealth.