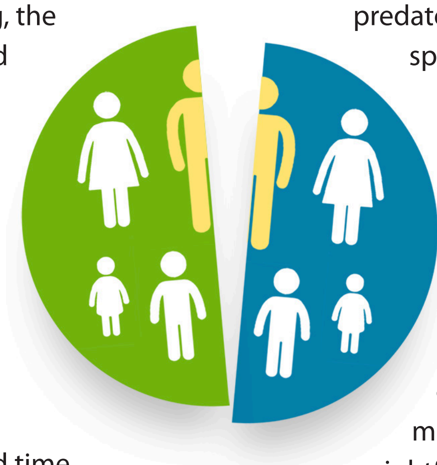
THE BISHOP COMPANY, LLC

Making insurance understandable

Blended Families: Reducing the Friction

A second marriage can be a blessing — but it is often a mixed blessing where estate planning is concerned. Without advanced planning, the interests of the surviving spouse and the children from the previous marriage (or marriages) might come into conflict. Making smart decisions now can nip those conflicts in the bud, and life insurance can play a useful role in that process.



Why it's harder the second time around

Estate planning is trickier the second time around because the surviving spouse could end up in a position to redirect the proceeds in unintended ways.

If you add your second wife to the title of your home as a joint tenant with right of survivorship, she gains complete ownership of the home when you die and can do with it what she wants — **regardless of what your will or trust says**. She can leave it to her own children and completely disinherit yours.

Beneficiary designations can be problematic as well. Naming your spouse as beneficiary is the norm in a first marriage, but doing so in a second marriage enables the surviving spouse to name new beneficiaries -- which might not include your children, despite promises made otherwise.

A trust can help—but it's not a panacea

Naming a trust as beneficiary for your life insurance policies and tax-deferred plans can provide control over how and to whom proceeds are distributed. It can also protect the proceeds from creditors, predators, divorce, remarriage, irresponsible spending — even estate taxes, if done properly.

Still, a trust is not always a perfect solution. Your children, as "remainder beneficiaries" of the trust, might take issue with the amount of the fund your second wife feels is necessary to maintain her standard of living. And waiting for their stepmother to die in order to receive their rightful legacy is not always a formula for cozy family relations.

Life insurance offers an equitable solution

Life insurance can address these issues. In effect, it creates a larger pie that can be divided more equitably, to the benefit of all:

- **If the wife** is named as the beneficiary, the children can receive the trust, either outright or in a trust, depending on their circumstances.
- **If the** children are named as policy beneficiaries, then the estate can go to the wife.
- **If an** heir is involved in the family business, give them the business and give the other heirs the proceeds from a life insurance policy.

Adding life insurance to the mix reduces the likelihood of friction because the outcome is predetermined. With any luck, the surviving family members may still gather for the occasional holiday meal!

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