POCKET WATCH®
A Lifetime Process™

Thomas Keating
T. H. Keating & Associates, PLLC
24055 Jefferson Avenue
Suite 101
St. Clair Shores, MI 48080
TEL: 586-498-8400

BLENDED FAMILY BASICS

If you are a blended family member, then you are in good company. Even if you are not a blended family member, the chances are quite good that you know someone who is. Blended families now outnumber traditional families – and the number is likely to grow, based on current divorce statistics and trends.

INSIDE

Blended families are more common than traditional nuclear families in America, and their number is growing. In addition to their many logistical and psychological challenges, these special families also present unique Life & Estate Planning challenges.

In this Special Edition you will learn key planning strategies to protect your own children, provide for your new spouse and minimize death taxes, as well as how to avoid common planning mistakes, including failure to disinherit an ex-spouse.

The Numbers

Divorce is rather common in America. In fact, an estimated 50 percent of first marriages end in divorce after an average of 11 years. The average divorce will cost the parties approximately $15,000 and take about one year to process from initial filing to final decree. [Note: These average costs and processing times vary greatly from jurisdiction to jurisdiction.] Thereafter, the resulting economic fallout of divorce will tend to reduce the standard of living of both ex-spouses. Not surprisingly, divorce is not only expensive, but researchers consistently rank it as one of the most stressful of life experiences.

Dollars and cents aside, the impact of divorce on children is more difficult to measure. Each year some 1 million American children experience divorce firsthand. However, a substantial number of these children will not be in single parent homes for long. Why? When divorcing under the age of 45, 80 percent of divorced men and 75 percent of divorced women remarry within three to four years. And divorced adults with children tend to remarry quicker than divorced adults without children.

Statistically, half of all children born since 1970 will live in a blended family arrangement. Tragically, over 60 percent of second marriages end in divorce. While there are numerous organizations and support groups dedicated to helping blended families overcome their inherent economic, social and psychological challenges, little attention has been paid to the critical Life & Estate Planning challenges encountered by blended families. These critical challenges include *disinheriting* your ex-spouse, *protecting* your own children, *providing* for your new spouse and *minimizing* your estate taxes.

continued on page 2

continued from page 1

Your Ex-Spouse

Will your ex-spouse control or even inherit your assets upon your death? Without proper Life & Estate Planning, the answer may be *yes*.

For example, without proper legal planning, your ex-spouse (as surviving parent/guardian) likely would be appointed by the probate court to manage any inheritance you leave to your minor children. To make matters worse, if your children later predecease your ex-spouse, then your ex-spouse may inherit your assets. That is right ... your ex-spouse, as the *next-of-kin* of your children, may inherit *your* assets from them.

Your Own Children

Whether children are reared in traditional nuclear families or in blended families, great care should be given to protect any inheritance both *for* them and *from* them. For starters, wealth representing a lifetime of your hard work and thrift can be squandered in very short order. Dollars *earned* just spend differently than dollars *inherited*.

In addition to good, old-fashioned squandering, an inheritance can quickly vanish through divorces, lawsuits and bankruptcies.

Your New Spouse

Chances are you made a few solemn promises to your new spouse on your wedding day. Among them were promises to be there through thick and thin, personally and financially. In the absence of a Pre- or Post-Marital Agreement to distinguish and maintain their respective separate assets, many spouses in blended families tend to blend their separate assets over time. New purchases are commonly titled in both names and the spouses also may designate one another as the primary beneficiary of their respective retirement plans and life insurance policies.

Warning: If you predecease your new spouse, then you may forever disinherit your own children from your share of such blended wealth! Thereafter, upon the death of your new spouse, your assets may be inherited by

Word Puzzler

Search this scrambler for words related to *"Blended Family Basics."*

Challenges	Children
Common	Complex
Control	Divorce
Dollars	Expensive
Fallout	Income
Inheritance	Jurisdiction
Lawsuits	Remarriage
Spouse	Statistics
Tax	Traditional
Trustee	Wealth

J	W	Q	O	J	X	Y	W	S	S	A	F	D	X	A
U	L	E	M	O	C	N	I	P	A	O	X	S	A	H
R	A	H	H	A	S	H	C	B	K	X	R	D	T	V
I	N	H	E	R	I	T	A	N	C	E	O	L	C	F
S	O	M	U	B	S	B	J	L	M	L	A	P	H	L
D	I	S	T	I	U	S	W	A	L	E	N	R	I	F
I	T	L	A	N	H	U	R	A	W	E	W	N	L	V
C	I	C	O	J	Q	R	R	V	V	E	N	W	D	H
T	D	A	U	R	I	S	D	I	E	Z	S	G	R	X
I	A	S	T	A	T	I	S	T	I	C	S	V	E	E
O	R	X	G	Z	V	N	S	S	O	C	W	L	N	S
N	T	E	K	O	E	U	O	M	V	H	P	A	F	U
Y	Q	M	R	P	R	G	M	C	G	M	Y	B	W	O
G	S	C	X	T	A	O	T	U	O	L	L	A	F	P
W	E	E	J	F	N	H	D	C	T	F	L	R	M	S

your stepchildren, or even by your new spouse's next spouse and their children.

Your Estate Taxes

Aside from disinheriting your own children, blending your wealth with your new spouse may unnecessarily enrich the IRS. How? The Internal Revenue Code provides an exemption to each taxpayer for purposes of sheltering a certain dollar value of their estate from estate taxes (with marginal rates exceeding 40 percent). However, this is a *use it or lose it* exemption. You may partially or completely lose the benefit of this valuable exemption when the title to your separate and blended assets passes to your new spouse upon your death. This mistake alone could trigger hundreds of thousands of dollars in wholly unnecessary estate taxes.

Alternative Solutions

If you want to *disinherit* your ex-spouse, *protect* your own children, *provide* for your new spouse and *minimize* your estate taxes, then you need to make proper Life & Estate Plans now. While there is no one-size-fits-all solution, there are a few alternative solutions you might want to consider.

To disinherit your ex-spouse, consider establishing *Long-Term Discretionary Trust (LTD Trust)* planning under your Last Will and Testament or Revocable Living Trust to administer the inheritance for your children, appointing a party of your own selection to serve as trustee. That way, even if your children reside with your ex-spouse, your trustee will control the inheritance and ensure its use only for your children. Moreover, should your children predecease your ex-spouse, the inheritance would remain in your LTD Trust for your grandchildren or for other beneficiaries of your own selection.

To protect your own children, your LTD Trust does double duty by securing many additional tax and non-tax benefits. For example, through *Spendthrift Provisions*, the inheritance also may be protected from squandering, divorces, lawsuits and bankruptcies.

To protect your new spouse, create a *Qualified Terminable Interest Property Trust (QTIP Trust)* to provide income and even principal for the lifetime of your new spouse. Such arrangements will protect the inheritance for your new spouse in the event of subsequent remarriage and divorce. Thereafter, upon the death of your new spouse, the QTIP Trust assets may pass to the LTD Trust you established for your own children upon your death.

As an added bonus, especially if the estate value of your new spouse is less than the estate tax exemption amount and yours exceeds it, the QTIP Trust assets will be added to the estate of your new spouse to maximize both of your estate tax exemptions. Otherwise, the exemption available to your new spouse may be wasted while your estate is subjected to unnecessary estate taxation.

To minimize your estate taxes, create an Estate Tax Exemption Trust (ETE Trust) to shelter the maximum available exemption upon your death. Use of the ETE will help ensure that you do not waste your *use it or lose it* estate tax exemption. Often used in conjunction with the QTIP Trust for your new spouse, the ETE Trust can help you disinherit the IRS and leave more wealth for your loved ones.

HOME-COOKED GOODNESS

Patio Potato Salad

Dressing:
1/3 C. sugar
1 Tbsp. cornstarch
1 tsp. ground mustard
1 tsp. salt
1/2 tsp. celery seed
1/4 C. mayonnaise
1/2 C. milk
1/4 C. vinegar
1 egg, beaten
1/4 C. butter, cubed
1/4 C. chopped onion

3 hard-cooked eggs, chopped
7 med. red potatoes, cubed and cooked

In a saucepan, combine sugar, cornstarch, mustard, salt and celery seed. Stir in milk, vinegar and egg until smooth. Add butter. Bring to a boil; cook and stir until thickened and bubbly. **Cool.** Stir in onion and mayonnaise. In a bowl, combine potatoes and hard-cooked eggs. Add dressing; toss gently to coat. Refrigerate for at least 1 hour. Serves 8-10.

"Bricks and mortar make a house, but the laughter of children makes a home."
~ Irish Proverb

Thomas Keating
T. H. Keating & Associates, PLLC
24055 Jefferson Avenue
Suite 101
St. Clair Shores, MI 48080

Thomas Keating
T. H. Keating & Associates, PLLC
24055 Jefferson Avenue
Suite 101
St. Clair Shores, MI 48080

TEL: 586-498-8400

T. H. Keating & Associates, PLLC

Thomas H. Keating has actively practiced law for 23 years, focusing on business and estate planning, with emphasis on the automotive and construction industries. Mr. Keating belongs to the State Bar of Michigan, the American Bar Association Section on Real Property, Probate and Trust Law, the State Bar of Michigan Section on Probate and Estate Planning, and the Michigan Forum of Estate Planning Attorneys. He is the founder of the Financial and Estate Planning Keeping Current Series as well as the East Side Business and Financial Forum and is a member of the Financial and Estate Planning Council of Detroit. Mr. Keating is a member of WealthCounsel, a national forum of estate and business planning professionals, and is a frequent speaker at estate planning forums around Michigan. Mr. Keating is co-author of "Strictly Business," a book written for those facing business and succession planning challenges.