



## Regions Wealth Podcast

### **Episode 6: Blended Family Planning**

With today's modern families, are there any best practices for determining how to divide your assets while keeping the peace? In this episode, Wealth Planner and Wealth Planning Program Administrator Bill Scofield joins us to discuss estate planning after divorce and remarriage.

#### ***Episode Transcript***

**Anne Johnsos:**

Welcome to Regions Wealth Podcast, the podcast that tackles life's challenges with financial experience. I'm your host Ann Johnsos. Creating an estate plan is daunting. It's not just the money and the other assets. It's emotional contemplating your own death and the people you'll leave behind. And when those people include exes and step kids and other extended family, estate planning gets a lot more complicated. Joining me in studio is Bill Scofield. He's the director of wealth planning at Regions Private Wealth Management. Bill, thanks for being here.

**Bill Scofield, Wealth Planner and Wealth Planning Program Administrator, Regions Bank**

Yeah, glad to be here. Thank you.

**Anne:**

In this episode we're talking about blended family planning. We've taken frequently asked questions from a bunch of people and created one fictional character who needs your advice. So let's listen.

**Frank:**

Hello there. My name is Frank. I'm 72 years old, divorced and remarried. I've got three kids, two sons from my first marriage and a daughter from the second. My first wife and I got married when we were just 20. We ended up divorced by the time we were 35. Back then I wasn't really thinking ahead or planning for the future. I guess I just assumed that if something happened to me, my sons would get everything I have. A few years later I married my current wife, Susan. We have a daughter who now has kids of her own.

**Anne:**

Okay, so we've got some complex family dynamics and it's unclear if Frank's assumptions about his estate are actually documented in writing. However, his situation isn't uncommon.



According to a 2017 survey by Princeton Survey Research Associates International, more than half of American adults don't have a will and only 36 percent of people with children younger than 18 have wills. That seems... not okay.

**Bill:**

It isn't, but it's not unusual. A lot of the folks we see really haven't done much, if any, of their estate planning and bringing and creating the documents they need to take care of their family if something were to happen to them.

**Anne:**

For our audience members out there who don't have an estate plan — and we know there are many, many, many of them — what are the sort of main components of an estate plan?

**Bill:**

Well, there are basically four key documents in what I might call a starter estate plan. First document is a will — would govern how your assets are distributed after you pass away and who would do that for you. Second would be a power of attorney for business purposes, giving someone else the ability to make financial decisions for you if you're not able to. The third would be a power of attorney for health care decisions. Same situation, same principle, but if an individual can't make their own health care decisions then they have appointed someone to do that for them.

And lastly would be a living will or maybe what's called an “advanced directive”. It would be a document that someone would state how their end-of-life care would be taken care of if they were in a condition that they wouldn't survive without some artificial means to them. There are other documents that are part of it, but really those are the four key to start with, with a good estate plan.

**Anne:**

Okay. Let's go to Frank for a second. We know he's got two families, right. He's got his family, his ex-wife and his sons, and then a second family. When should he have first created his estate plan? And what should he have done?

**Bill:**

So I think one of the things to consider is — when first triggers would be a marriage. Certainly when someone gets out in the workforce, begins building assets, well, that's certainly a time to put something in place. But when someone gets married, that's a change in relationship, a legal relationship, and more than likely that individual wants to benefit their new spouse. So that would be really a good trigger point to really say, “I need a new estate plan to make sure that my assets go to my spouse as opposed to someone else”.



**Anne:**

Certainly, you know, great to start when you're 18 with something. Second, when you're in the workforce, set up your own estate plan in some way. When you get married for sure. For Frank, it continues on, right? So you get married — what's another milestone for estate planning and changes?

**Bill:**

Children. When you have your first child, then it's very important to make provisions. Number one, for what happens to both spouses, who's going to raise the child? So naming a guardian is very important in an estate plan. Second thing with regard to having children is what financial arrangements would be made to help those children and raise those children to adulthood.

**Anne:**

Marriage, children — for Frank, there's another milestone.

**Bill:**

There is. Frank and his first wife become divorced. That's another milestone because now, we again, we have a change in relationship. He might not want to continue to have his ex-wife be the beneficiary of his estate or maybe the beneficiary of some of his things like his life insurance or his retirement plan. And all of those require an action on Frank's part to change. So it's very important in the case of a divorce that somebody go back in and revisit their estate plan and determine what changes need to be made based on the change of circumstances in their life.

**Anne:**

On the subject of milestones, the next milestone for Frank might be getting married again?

**Bill:**

It is. So, Frank has multiple milestones in his case, so yes. So a remarriage — another milestone that again — another change in his circumstances of where he might want to benefit a whole different set of people, important people in his life, his new wife. And then again, the second milestone after that in that new marriage, would be the birth of his third child, his daughter by his second wife.

**Anne:**

Yeah. So he has a lot to think about. It's easy to see how this could get overwhelming for people without working with an advisor to adjust the plan. Let's hear more from Frank.

**Frank:**

Now that I'm getting up in years, I'm worried about my estate plan. I think about beneficiaries and divvying up my assets and it gives me a headache. I'm not sure how to do it so everyone



gets treated fairly. It's probably something I should have worked out when Susan and I tied the knot.

**Anne:**

Okay, this brings up a good question. Remarriage in America is on the upswing. In 1960 just 13 percent of all married people had been hitched before. But by 2013 that number was up to 23 percent. So when Frank is talking about remarrying Susan, should he have done something before that marriage? Could he have thought about it ahead of time?

**Bill:**

He could have. So a lot of time with a second marriage what we find folks thinking about is a prenuptial agreement which would help each of the parties determine, you know, what happens if each of us die, what happens with our assets that we had before we got married. Of course, prenuptials also address divorce, but it can also address what happens to assets they bring into the marriage and the ones they accumulate and how they should then use that as a structure for establishing their estate plan.

**Anne:**

That's a helpful way to think about prenups. I think they sometimes have a stigma where people assume they're about a lack of trust or selfishness, but they're really about planning. And just to clarify, they'll also have to follow up with a will to make everything to legally have effect when they die, is that correct?

**Bill:**

It is.

**Anne:**

OK. Let's go back to Frank to hear how he and Susan have been managing things.

**Frank:**

Susan and I have joint accounts, so she's set to get most of my assets by default. I know she'll take care of our daughter, but I don't think that she's ever completely warmed up to my sons. I want to make sure that they're taken care of. The thing is, I'm worried that if I start creating separate accounts for my sons, Susan will think I don't trust her. And I do. But I know things can get crazy when it comes to division of assets. I've seen it happen in my own family.

**Anne:**

Okay, so how do joint assets impact heirs? Is it true that Susan will get most of his wealth?

**Bill:**

Well each state has separate property laws, but as a general rule, joint assets that have something called a "right of survivorship" or if they're called "tenants by the entirety" with



spouses, generally those are owned by the surviving spouse after the first spouse's death. So with that kind of situation, when Frank passes, Susan would have the ability to decide what she does with those assets because she now owns them.

**Anne:**

And of course, it's important to point out that this may be different in your state if the children of the first marriage are minors

**Bill:**

Yeah. It is.

**Anne:**

So Frank brings up a good point. By creating separate accounts for his sons and Susan, it might make Susan feel that he doesn't trust her. What's the best course of action for him in approaching her and does he approach his sons?

**Bill:**

I think in this case, his discussion with Susan is probably the most important. They need to both be on the same page with what his desires are and what her desires are. One of the things Frank could do would be to work with a financial professional who can do some analysis, run some numbers to show on paper and give assurance to Susan that she is going to be taken care of. And that may help Frank with the discussion with Susan about, "yeah I would like to leave something for my children. But Susan you're first, and I'm making sure you're taking care of, and you will be."

**Anne:**

So yeah, so assuage her fears so that she can look at it without emotion, too.

**Bill:**

Yes, taking the emotion out of it and making sure she knows that she's number one and is going to be taken care of.

**Anne:**

Great. So, we're getting somewhere with a plan for Frank. But let's see what other curveballs he's got for us.

**Frank:**

Here's the real thorn in my side: I'd also like to make provisions for my first wife. She set aside her own career to raise our sons. It's important to me that she's taken care of. The thing is, I don't know how to do this without upsetting Susan.



**Anne:**

So, if Frank did want to take care of his first wife, what are his options?

**Bill:**

Well the first option would be just to give her assets outright at his death. So at that point those assets would go to his ex-wife and she would then distribute them as she would if, as she wants under her estate plan. Another alternative would be to put them in what's called a trust where someone, a trustee, would be looking after them and holding them for her benefit, administering and distributing what she needs out of that trust. But Frank could also put into that trust that once she passes, then those assets could go to his sons and keep that set of assets, that group of assets for the benefit of his first family and his sons.

**Anne:**

If Frank's kids were minors, would all of this be different?

**Bill:**

There would be some different provisions. So there would be a provision for guardians. So if the children are minors, then parents should pick guardians in their will. And then the provisions of how the money is spent if Frank were to pass away, or both Frank and Susan were to pass away, how that money would be distributed or used for the children would be different. And the best place to put this would be in a trust, which would be protective of the money and give someone else the ability to administer it and invest it and then pay it out. But as minors, the trust and the language would be more geared towards raising the children, making sure they're provided for, making sure that the guardians have everything they need to raise the children.

So yes, the provisions would be different if they were minors versus if they're adults. That's why when your children grow up, would be another trigger point, another milestone to change your estate plan. You no longer need a guardian and now the distribution of the assets might be different.

**Anne:**

If they were minors, would the money go to them through their mother, or would it go to them and then their mother would be able to decide how to spend it?

**Bill:**

It depends how Frank sets it up. If Frank puts it in a trust, then Frank can appoint a trustee to distribute the money. He may want to appoint Susan as the trustee for their daughter and then Susan would decide when that money is used and how it's used. For his other children, he might choose his former wife, or they might choose a professional trustee like a bank or trust company to oversee that and decide how the money is spent. But a lot of times the



money is distributed to the guardian and they're expected to use it for the minor in how the terms of the document says it's supposed to be used.

**Anne:**

So you know we like to end every podcast with some takeaways, something that our audience members might chat about. So, what are some takeaways?

**Bill:**

Well I think one of the takeaways is to be proactive. Don't assume things are going to take care of themselves. Don't assume what you've done in the past is going to carry forward if there's a change in your family. So be proactive in making sure your estate plan is up-to-date. I think the second thing is to make sure you're working to update that estate plan with a qualified estate planning attorney licensed in the state where you live. They know the state's laws, they know how things are, should be structured, and they'll be able to make sure your wishes are carried out in your documents.

And I think the last thing to consider is, especially in Frank's case, there are solutions. He addressed several concerns he has in how his assets are going to be distributed and how he benefits his children — his — particularly his two sons from his first marriage. But I think what Frank needs to know and people need to know is there are solutions out there. And working with a qualified professional will help uncover those solutions so that they don't have to worry about what's going to happen in the future. They can have that taken care of and feel comfortable that things are going to work out the way they want them to work out.

**Anne:**

Thank you, Bill Scofield, director of wealth planning at Regions Private Wealth Management. We have learned so much.

**Bill:**

Thank you for having me.

**Anne:**

And thank you all for listening. We'll be covering a new wealth management challenge in every episode, so check back, and maybe introduce us to a friend you think would benefit from Regions Wealth Podcast.

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