



BLENDING FAMILY BASICS

Times have changed. In the new millennium, *blended* families now outnumber *traditional* nuclear families. In fact, one of three Americans is now a stepparent, a stepchild, a stepsibling, or some other member of a blended family*. And the number is likely to grow, based on current statistics and trends.



While most of us don't live like Hollywood celebrities, Hollywood trends often reflect magnified versions of cultural trends. For example, when Kris (Kardashian) and Bruce Jenner married in April 1991, they each had four children from previous marriages. Kris had Kourtney, Kim, Khloe and Robert from her marriage to the late Robert Kardashian and Bruce had two children (son Burt and daughter Casey) with his first wife Chrystie Crowover and two sons (Brandon and Brody) from his marriage to Linda Thompson. The reality show couple later had two more children together — daughters Kendall and Kylie.

If you're keeping track, that's a whopping 10 kids.

Blended families, whether they include one, two or ten children, face many unique social, psychological and economic challenges.

The Challenges

Fortunately, there are numerous organizations and support groups dedicated to helping blended families with these challenges. Unfortunately, little attention has been paid to the critical Life & Estate Planning challenges confronting blended families. These challenges include *disinheriting* your ex-spouse,

INSIDE

Is yours a *blended family*? If yes, then you face unique inheritance challenges, to include *disinheriting* your ex-spouse, *providing* for your new spouse and your own children, and *protecting* their inheritance. Keep this newsletter (and share it with others).

On page three we consider estate equalization planning to avoid *disinheriting* either your new spouse, or your children of a prior marriage. Insurance premiums and legal fees are cheap compared to the *costs* of *disinheritance*.

providing for your new spouse and *providing* for your own children — and protecting their inheritance.

Your Ex-Spouse

Without proper legal planning, your ex-spouse (as surviving parent/guardian) would likely be appointed by the probate court to manage the inheritance you leave to your children. To make matters worse, what if your children later predecease your ex-spouse and are single and childless at that time? Who would inherit your assets then? That is right ... your ex-spouse as the *next-of-kin* of your children.

continued on page 2

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. Accordingly, most spouses in blended families tend to *blend* their wealth, too.

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

Your Own Children

Whether children are reared in a traditional nuclear family or in a blended family, great care should be given to protect any inheritance both *for them* and *from them*. Wealth representing a lifetime of your hard work and thrift can be squandered in very short order, or can quickly vanish through divorces, lawsuits or bankruptcies.



Inheritance Protection

Want to make your Life & Estate Plan *heir tight*? If so, you should consider a *Discretionary Trust*. As the name implies, such a trust makes distributions only in the sole and absolute discretion of the Trustee. The key to a successful Discretionary Trust is selecting and entrusting an appropriate Trustee with broad discretionary authority to protect your wealth *for* and *from* your heirs. The non-fiduciary position of *Trust Protector* can be created to appoint and even

remove such a Trustee to ensure fulfillment of your objectives. As such, the Trust Protector serves as an ongoing Guardian Angel.

Final Thoughts

This has been a very cursory examination of a very complex subject. Be sure to engage appropriate legal counsel before you pursue any financial or legal strategy to overcome blended family challenges.

* Source:
www.winningstepfamilies.com.



Ask Yourself ...

These Questions Regarding "Blended Family Basics."

- | | | | |
|---|-----|----|----------|
| 1. Have I protected the inheritance of my children from being managed by or even inherited by my ex-spouse? | Yes | No | Not Sure |
| 2. Have I protected the inheritance of my children from their potential squandering, divorces, lawsuits or bankruptcies? | Yes | No | Not Sure |
| 3. Have I made legal arrangements to provide for the lifetime financial support of my new spouse, yet to control the ultimate disposition of my assets for my own children? | Yes | No | Not Sure |
| 4. Have my new spouse and I arranged our legal affairs to protect the inheritance of our own respective children from their potential squandering, divorces, lawsuits or even bankruptcies? | Yes | No | Not Sure |
| 5. Have I coordinated my financial and legal plans to increase my estate value and equalize the inheritance left to my new spouse and my own children upon my death? | Yes | No | Not Sure |

ESTATE EQUALIZATION

If your family is a *blended family*, one of your estate planning challenges is to make sure each member of your blended family is treated fairly and equitably. You will want to make consideration for your current spouse, your own children and perhaps even your stepchildren. And “fair and equitable” does not always result from a simple “equal shares” approach. Not to mention that some assets, such as a family or vacation home, are quite difficult to split into “equal shares.” In some cases, you may want to create a plan that actually increases your overall estate value, without increasing your estate value for estate tax purposes, and may allow you to *equalize* the inheritance among your family beneficiaries.

First Things First

Before continuing, however, you should know that your insurability for life insurance is the financial planning key to making this win-win inheritance arrangement work. It is an age-old financial planning maxim that *your health actually buys your life insurance and your wealth merely pays the premiums*. Assuming you are insurable, we now turn to the legal planning.

Your New Spouse

To provide financial security for your new spouse and to minimize your estate tax exposure, arrange for a tried-and-true *Estate Tax Exemption Trust (ETE Trust)* and a *Qualified Terminable Interest Property Trust (QTIP Trust)* to be created under either your Last Will and Testament or your Revocable Living Trust. Through this arrangement you may secure important estate tax savings as you provide income and even principal to your new spouse for life. Thereafter, upon the death of your new spouse, the assets of both Trusts pass to your own children.

Your Own Children

Having taken care of your new spouse, we shift our focus to providing for your own children.

First, you create an Irrevocable Life Insurance Trust (ILIT) with your own children as the beneficiaries. Select the amount of life insurance that will represent their inheritance upon your death, according to your estate equalization goals. (While you may not serve as a Trustee, you may select the current and successor Trustees.)

Second, you make gifts to the Trustee on behalf of your beneficiaries in an amount roughly equal to the insurance premiums. The Trustee provides written notice of the completed gift to each ILIT beneficiary, giving each a designated period of time (not less than 30 days is typical) to request distribution of their respective share of the gift. After the period has lapsed, the Trustee applies for the appropriate amount of Life Insurance and pays the initial premium. This annual gifting ritual continues until your death.



Third, assuming all of the ILIT steps have been followed, the death benefit will be estate tax free when paid to the ILIT for your own children. Properly structured, this inheritance will be protected both *for* and *from* your own children, as well.

Later, upon the death of your new spouse, the assets of the ILIT may be merged with the assets of the ETE Trust and the QTIP Trust for more economical and efficient administration for your own children (and even grandchildren).

POCKET PROTECTORS

Tips to help you protect your pocket!

Getting Rid Of Your Old Hard Drive “Securely”

Do you have any old computers sitting around? Perhaps you are getting ready to upgrade, because “old faithful” is on its last legs. Regardless, if you are intending to dispose of a personal computer to the junk pile, a charity or some other third party, then watch out! You may be giving all of your private, confidential data to strangers.

According to data safety experts, it can be nearly impossible to completely clear your hard drive without professional assistance. While there are some commercially available “tools” that promise to completely wipe your hard drive clean, you can’t be too careful!

After you have properly backed-up all of the data you want to keep from you old hard drive, one of the surest methods to securely dispose of the old hard drive is to take a good, old-fashioned sledgehammer to it. For step-by-step instructions, type the following into your favorite search engine: “How to dispose of a hard drive.” Alternatively, several online blog experts recommended a less violent end to your old hard drive by using a power drill. In the end, as with most of life, the choice is yours.



**Drucker Law Offices, APC
468 North Camden Dr.
2nd Floor
Beverly Hills, CA 90210**

Note: Nothing in this publication is intended or written to be used, and cannot be used by any person for the purpose of avoiding tax penalties regarding any transactions or matters addressed herein. You should always seek advice from independent tax advisors regarding the same. [See IRS Circular 230.]
© 2013 Integrity Marketing Solutions



**Joelle M. Drucker
Michelle J. Correll**

**Drucker Law Offices, APC
468 North Camden Dr.
2nd Floor
Beverly Hills, CA 90210**

**310.285.5375 TEL
310.444.9754 FAX**

www.druckerlaw.com

**Drucker Law Offices, A Professional Corporation
Joelle M. Drucker, Esq., Principal Shareholder
Michelle J. Correll, Esq., Of Counsel**

Drucker Law Offices is a full service trusts and estates law firm with its principal offices located in Beverly Hills, California. We practice exclusively in the areas of estate planning, probate administration, trust administration, conservatorships and trusts and estates litigation. Our attorneys bring a sophisticated level of understanding to these complex and technical areas of the law.

Joelle Drucker and Michelle Correll, the firm's attorneys, have extensive experience practicing in large national law firms, but both have chosen to use their skills and experience in a way that allows them the ability to place a greater emphasis on the needs of their clients with a higher level of personal service. We strive for solutions that are practical and cost effective. The foundation and fundamental values of Drucker Law Offices are based on a firm belief in building and maintaining personal long-term relationships with our clients.

For additional information about our law firm, please visit our website at www.druckerlaw.com. If you would like a friend or client to receive our newsletter, please call our office at 310.285.5375 and provide us with their name and e-mail address. Also, please visit and subscribe to our law blog, Practical Trusts and Estates Law Tips Blog, at www.druckerlaw.com/practical-trusts-and-estates-tips-blog/ for insight and commentary on current developments in estate planning, estate tax law, and post-mortem administration that may be helpful to you and your loved ones.