

Modern Families, Modern Estates

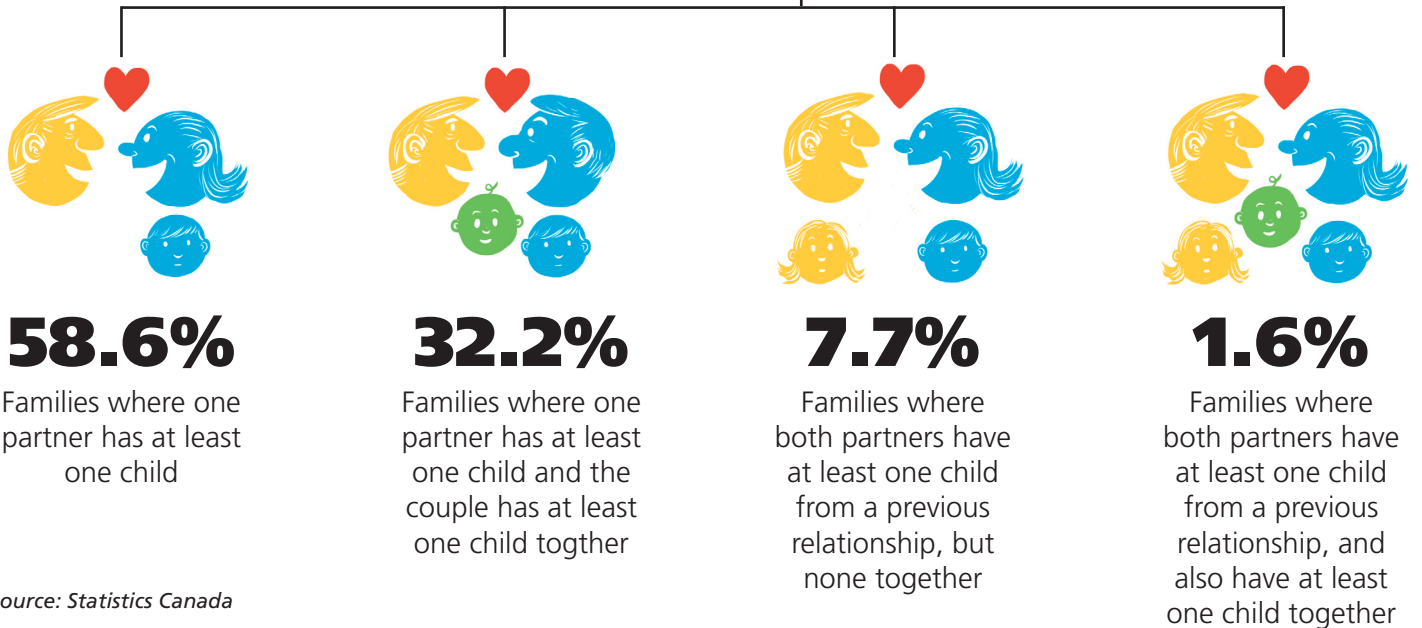
Step-families are common. While day-to-day living with a blended family can be a handful, it also adds some complexities to estate planning.

The prevalence of blended families is growing:



1 in 8 Canadian families are blended.

Those step-families come in different forms:



Source: Statistics Canada



Estate planning for blended families can be complex, and might require some extra planning.

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Estate Planning for Blended Families

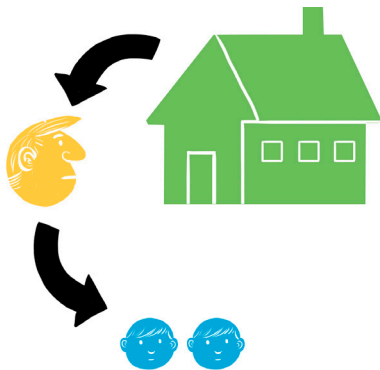
Along with other legal documents, like marriage contracts and powers of attorney, testamentary trusts are a common tool used by members of a blended family. A testamentary trust is set up in your will and a trustee is appointed to oversee the trust and assets. Trusts can provide an element of control after your death. They may also provide a form of asset protection from creditor and marital claims, and can be used for tax planning as well.

Scenario 1



Jennifer has owned her own home for 20 years. Recently she married Milo, her second husband, and he moved into her home with her and her children from her previous marriage.

Objective: In case Jennifer dies, she would like to allow Milo to remain in the home for the remainder of his life. When he dies though, she wants the home to be sold, and the proceeds distributed equally to her two children from a previous relationship.

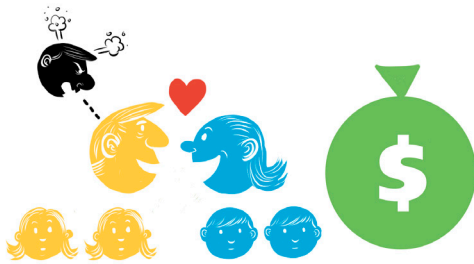


With a Trust: Jennifer is able to direct that Milo can enjoy the home for as long as he lives, but after his death the home passes to the children to be sold and proceeds split equally. The trust provides protection that Milo cannot sell the home and use the proceeds for himself.



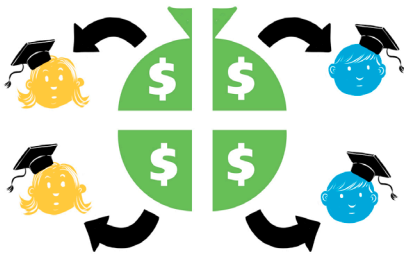
Without a Trust: If Jennifer leaves the home directly to Milo in her will with the hope that he leaves the home to her children after he dies, Milo's plans may change after Jennifer's death and the children may be forced to take the issue to court.

Scenario 2

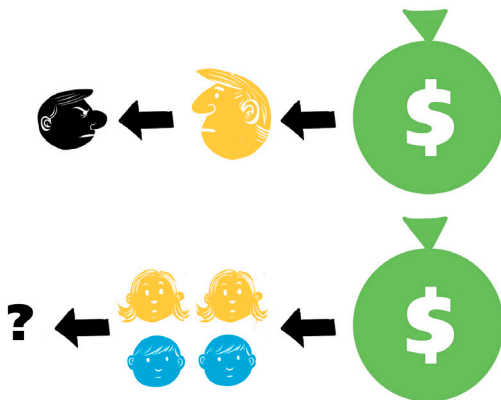


Prisha has significant investments worth hundreds of thousands of dollars. She recently married Michel, her second husband, an accountant with his own firm. His former business partner is threatening to sue him. They both have children from previous relationships.

Objective: Prisha wants to leave her investments to both her two children, and her two step-children, but is concerned with leaving the money directly with Michel or the children.



With a Trust: After her death, Prisha's investments can be placed in a testamentary trust for the benefit of the children, which can provide support to the children based on instructions in the trust document or at a trustee's discretion. By naming the children as beneficiaries (as opposed to Michel), Prisha can ensure the children are looked after while preventing Michel's creditors from going after the investments (because they are in trust and not passed on to him after Prisha's death).



Without a Trust: If Prisha's investments were to pass directly to Michel, instructing him to support the children with the investment income, this may expose the investments to Michel's creditors. Alternatively, if Prisha's investments were to pass directly to the children, she would no longer have control over how the children use their inheritance.

All scenarios are hypothetical.

Estate Planning is complex, and trusts may not be the only solution. A legal professional can help make an estate plan that's right for your family.

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