



**W**e've gone from "Leave it to Beaver" to "The Brady Bunch" to "Modern Family." Our favorite TV shows reflect the times we live in. These days, 70% of American families fall into the "nontraditional" category. While nuclear families (mom, dad, 2.2 kids and a dog) remain intact, it's much more likely that your family – or one you know well – reflects a different reality with different family dynamics. You may be on your own or

part of a large and complicated family. Your family – no matter how it's defined – may be bound by love, but love alone can't replace thoughtful planning. The fact remains that the need for comprehensive financial and estate planning is more important than ever.

To be sure, there are basics that apply for all households. Everyone – whether a prince or a pauper – needs a will. And everyone should have an emergency

fund that covers at least three to six months of living expenses. Ideally, we should all have health insurance and save diligently for retirement. But those of us who make up the four out of five families that fall under the "non-traditional" label will have to take our financial planning a few steps further.

### **Modern family (financial) planning**

Changing dynamics mean careful attention must be paid to the details so that your financial plans represent the needs of your not-so-conventional family. And, however large and complicated your family may be, it pays to take a holistic look at your estate plan so that it includes your family in its entirety. Take a look at some of the issues and possible solutions.

### **Patchwork families**

Also known as blended families, where one or both spouses have children from a previous relationship, these families face complicated financial decisions in order to preserve family harmony. The spouses need to make sure each other is taken care of, and ensure that the children, stepchildren and future children share in the family wealth in a way that feels fair and equitable.

It gets sticky when one spouse wants to provide for the surviving spouse, while also ensuring assets eventually go to his or her children. The survivor spouse may inherit the majority of assets but is under no legal obligation to ensure those assets then pass on to your children later. To avoid this potentially devastating mistake, be sure to make estate planning a priority – even if you're young. Consider this hypothetical scenario:

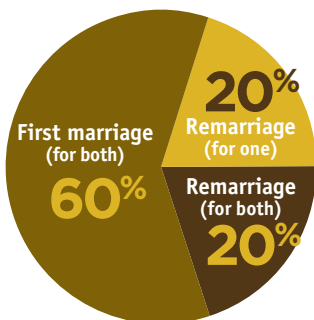
Erica has two children from a previous marriage. She later marries Ben, and they have a son together. A car accident claims the couple's lives before they've settled on an estate plan, but Erica passes away shortly before Ben, who was named beneficiary on her retirement accounts and inherits the rest of the estate by law. When he dies a few days later, a state may decree that only their joint biological child will inherit – effectively leaving Erica's first two children with nothing. Even the house, titled in both their names with rights of survivorship, could end up in the youngest child's hands because he was Ben's sole heir.

#### Possible solutions

- Trust is the solution – not just between the two of you, but a formal trust that outlines your wishes. Ask your advisor if it makes sense to spell out bequests in a qualified terminable interest property (QTIP) trust to ensure your children, as well as your spouse, are provided for. The terms will vary based on your own family situation, but trusts can help you prescribe exactly how various family members should inherit.

### Walking down the aisle, again

In 40% of new marriages, one or both spouses have been married before.



Source: Pew Research Center

- A pre- or post-nuptial agreement will also go a long way to ensure harmony. Be sure to discuss the final terms with your family so they'll understand the motivation behind your decisions.

#### All in the family

Children become part of the family in any number of ways – birth, adoption, in vitro, posthumous births – and modern families must account for things people hadn't even heard of 30 years ago. Posthumous births can happen years after the loss of a loved one. Cryopreservation has made it possible for a child to be born even if one or both parents have already passed away. If you or your spouse has done this or is considering it, you'll want to think through the potential implications. Who would inherit any embryos, for example, and would any resulting child have a claim on your estate? Addressing these sensitive matters may be uncomfortable, but it's wholly necessary.

And, assisted reproductive technology allows for surrogates and donors to help you expand your family. However, preemptive measures must be taken to avoid estate complications. Contracts are helpful, but proactive estate planning will ensure everyone understands their role and whether they have a right to lay claim to part of your estate later.

No matter how your family grew, you'll have to think through how you want the children to inherit. What feels equitable and fair to you? To them? The answers are not always simple. And putting in the work upfront may be just the key to maintaining family

harmony. It's unlikely that you wish your loved ones to get embroiled in legal battles that take an emotional and financial toll, so it's important to carefully consider decisions that will affect your biological children, stepchildren, adopted children and anyone else you'd like to inherit your estate or your business. And, as with anything regarding estate planning, document your wishes thoroughly.

#### Unmarried partners

Living together without being married raises different challenges. You can't access spousal and survivor Social Security benefits; you aren't eligible to transfer or bequeath assets to each other without paying federal or state estate taxes; and you don't enjoy protected status as a beneficiary when it comes to pensions, retirement accounts and annuities. As a result, partners must be specifically named as beneficiaries so that your longtime love won't be left out should the unthinkable happen to you.

You also won't have rights to make health decisions for your significant other or have access to their health insurance, unless their company specifically allows unmarried partners to be covered. While married couples automatically enjoy these rights, you can create something similar to protect your partnership. You just have to jump through a few hoops with the help of trusted advisors.

#### Possible solutions:

- Create a domestic partnership or civil union if your state allows. The county clerk's office or bureau of vital statistics is a good place to start.

- Title your home appropriately. Joint title with rights of survivorship allows your partner to inherit the home. Alternately, you can specify a percentage of ownership through a tenants-in-common title.
- Give your partner power of attorney over financial and healthcare decisions.
- Draft wills that name each other as heirs. If you think your will might be contested, consider a revocable living trust instead.
- Consider, too, a life partnership agreement. Similar to a pre-nup, this document spells out what happens to your joint assets if the relationship founders.
- Partners aren't entitled to spousal or survivor Social Security benefits. Life insurance might help replace this income for a surviving loved one. A charitable remainder trust could help, too. It can be set up to pay income to your beneficiary for life, and any remaining assets will go to charity.

### On your own

Whether single, divorced or widowed, being on your own means you'll face some unique financial challenges, particularly when it comes to deciding who will catch you if you fall. There's no backup plan if you lose your job or become ill without a caretaker in place. Without children or a spouse, you may not know who should receive your estate, who should be the executor of your will, or who to trust with important decisions should you become incapacitated.

But not knowing doesn't mean you should do nothing at all. Attention should be paid to your will. If you pass away intestate, or without a will in place, your assets and property may fall to the direction of state statutes and probate courts. If there is no obvious heir, the state could choose related heirs you may not even know.

Start thinking this through now, and decide if you'd prefer to bequeath your estate to particular friends or charities. Decide, too, who you want to benefit from your retirement accounts, and be certain that beneficiary designation forms reflect where you want your assets to go. You can always update your documents later should your life circumstances change.

Possible solutions:

- Establish a robust emergency fund. Because you don't have another income to rely on, aim to cover a year's worth of expenses, and sign up for disability insurance to help you should you no longer be able to work.
- Beef up retirement savings for the same reason. You won't be able to tap a partner's Social Security or pension.
- Draft a team of pinch hitters. Select an executor for your estate, as well as a health and financial proxy, then establish durable powers of attorney for them. You'll need someone caring and competent enough to manage your property and other matters if you are no longer able to do so. If you don't have family nearby, a trusted friend, member of the clergy or knowledgeable third party may be the right option for you. And make sure they

## A note about taxes


Reducing income and estate taxes is an important planning issue. Your situation may leave you with different choices regarding how you file your federal income taxes. If you meet the eligibility criteria for more than one filing status, consider the status that reduces your tax bill the most.

Under the estate and gift tax, singles can't take advantage of the unlimited marital deduction that allows a person to give assets to his or her spouse with reduced or no tax imposed on the transfer. An unmarried person can use the annual gift tax exclusion, make unlimited gifts for education and medical expenses if given directly to the institution, and use the full lifetime estate and gift tax exemption.

know and understand your wishes, which you can spell out in a living will or medical directive.

- Those without children or a partner to help care for them as they get older rely more heavily on professional caregivers, and must plan for the associated costs. A long-term care policy may fit the bill.



Of course, no estate or financial plan should be set in stone. As you live and breathe, so should your estate documents, changing as your life changes. The process can be complex but a trusted financial advisor, estate attorney and accountant can work together to offer guidance so that your wishes today will be honored tomorrow. 

Sources: Financial Planning; Investing Daily; Michigan State University; Time.com; Barron's Raymond James financial advisors do not render advice on tax or legal matters. You should discuss any tax or legal matters with the appropriate professional.

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