To: P&G Employees
From: John B. Cornetet, CPA, J.D., CFP 513-771-2444

Re: Estate Planning for the Second Marriage and Non-Traditional Family

Some of the most difficult estate plans that I prepare are for the second marriage and non-traditional couples. Money, new spouses, children from the first marriage and the previous divorce experience all make facing this issue difficult. Obviously, it is extremely important to deal with these issues. It might come as a surprise, but it is not hard to create a win-win situation. There are many vehicles in the estate planning arena to accomplish your goals.

I have experience as an estate planner and as a child who acquired a step-grandmother (at a cost of $2,000,000 to the family), step-father and step-mother in recent years.

Premarital Agreements
It is common for people to spell out the economic terms of a second marriage prior to getting remarried. Premarital agreements are enforceable as long as they are done properly. It needs to be:

1. In writing
2. Signed by the parties prior to the marriage
3. Both parties represented by separate attorneys
4. There must be full disclosure of each party's financial assets
5. The agreement can not be unconscionable or totally one sided

You can decide in advance what happens in the event of death, disability and divorce. These agreements range from "what's mine is mine and what's yours is yours" to elaborate support and estate planning trust to protect everyone's interest. This agreements may protect a single asset such as your PST or may cover all assets. Marriage, by law, creates certain rights. The premarital agreement eliminates these rights and allows the parties to agree on or modify the rights.

QTIP Trust
An effective estate planning trust is a QTIP Trust. The QTIP stands for Qualified Terminable Interest Property. This trust allows you to leave money in trust to a spouse with the remainder going to your children upon your spouse's death while preserving the marital deduction and other estate tax benefits. For example, at your death, your assets go into Trust, your spouse gets a defined cash flow for life. At your spouses death, the principal of the Trust passes to your children not your spouse's children. No estate taxes are paid until the spouse dies as in the traditional first marriage estate plan.

Life Insurance Trust
An way to solve problems is with life insurance. I have client with a 32 year old wife and a 33 year old daughter. If we make the daughter wait until the step-mother dies, she may never inherit her dad's assets. He purchased a life insurance policy that would go to his daughter at his death. The wife gets everything else. Both are happy with the plan.

Living Together Agreements
Many more people are living together in a non-traditional relationship. Agreements can be made to define the economic rights and responsibilities of death, split up, and disability between the parties. My client purchased a house with her live-in friend. Both are on the deed and mortgage. What happens to ownership and the payment of the mortgage if my client splits up with the friend? A "Property Agreement" defines the mechanism for resolving this issue on the front end of the transaction while everyone is in agreement. The cost of the agreement is far less that the legal and emotional cost without one. Marriage creates legal rights. If your are not marrying, these agreements can create rights for your partner.

Seminar reminder
We are hosting a retirement planning and estate planning seminar on the next four Wednesdays. Call Bonnie at 513-771-2444 for details or to reserve a seat.

John