

A trust for the remarried

Estate planning is important when you have kids from a previous marriage

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NEW YORK (CNNfn) - Family life has gotten a lot more complicated these days, and perhaps nothing is more confusing than trying to build an estate plan if you're in a second marriage.

A 79-year-old Arizona man recently faced such a predicament trying to figure out how to leave money to his wife as well as his son from a previous marriage, said Mike Janko, executive director of the National Association of Financial and Estate Planning (NAFEP).

"We have a lot of cases where couples are in second marriages and each has children of their own," Janko said.

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The Arizona man had an estate worth about \$3 million, Janko said. He wanted to leave money to his wife, but he also wanted to make sure there was something left for his son after she died. The wife didn't have any money of her own.

NAFEP recommended a Qualified Terminal Interest Provision (QTIP) marital trust. It allows all of your assets to go to a surviving spouse without the spouse having control of the cash. You designate a trustee to oversee the estate. In this way, the Arizona man could guarantee that his wife wouldn't leave the money to another relative. He made his son the trustee.

Because federal law allows you to leave \$675,000 to your heirs tax-free in 2000, (the amount is increasing to \$1 million by 2,000), the Arizona man arranged to give his son a lump sum that falls within those limits when he dies.

The wife will get all of the income from the rest of the estate. Since her part of the estate will be at least \$2 million, it's likely she'll be able to live on \$200,000 a year.

As part of the QTIP, the wife can ask for some of the principal if it's for "health, general support or education."

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