

## Case Study - The 'blended family' & the risk of sideways disinheritance

With divorce rates, and 2<sup>nd</sup> time marriages on the increase, the subsequent 'blended family' is now not unusual. A family comprising children of current and past relationships create many challenges for estate planning. Without careful forward planning there can be terrible, and unintended consequences for those left behind. 1 in 2 divorced parents goes on to remarry or re-partner.

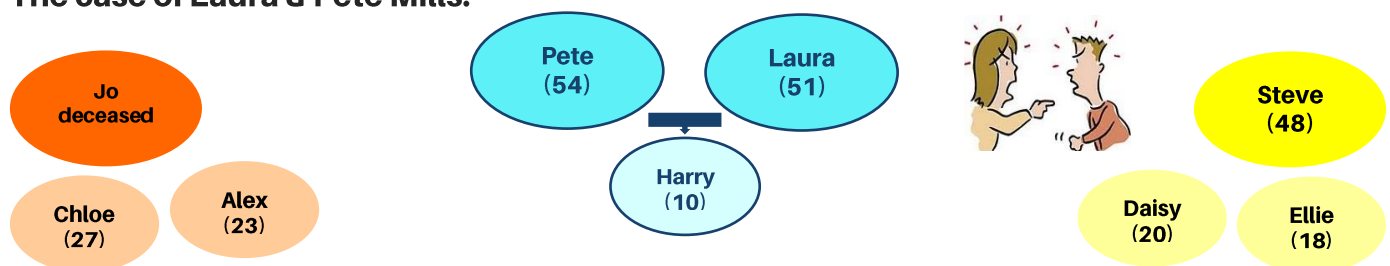
### The Problem

The term 'sideways disinheritance' is used to describe the following:

A Will (made after marriage) doesn't account for the potential of re-marriage of the surviving spouse following the death of one of them. The result is that the children of the first re-married spouse to die are disinherited. Sadly, this unintended outcome is becoming increasingly common.

In order to avoid significant legal pitfalls children of previous relationships need to have their interests protected, whilst still protecting the current spouse and children. That said planning must recognise the needs (present and future) of all family members.

### The case of Laura & Pete Mills:



Pete & Laura are married and have been together for 12 years and have 1 child Harry (shown above). Previously Laura was married to Steve but divorced him 13 years ago. Pete was married to Jo, who passed away 15 years ago.

Pete and Jo have 2 children together, as do Laura & Steve.

Laura & Steve are not on good terms and have limited contact with each other regarding their children.

Steve's new partner Susan and Laura also do not get along with each other.

The relationship between the children is described as mixed, with some getting along and others not.

Pete & Laura have simple mirror Wills which both state that on their death everything passes absolutely to the surviving spouse and then to their children in equal shares. This scenario is common place.

Pete and Laura knew they needed Wills, but didn't really want to think about, putting it off and considering it an arduous task Pete opted for a DIY online Will for £19.99. Laura's Bank arranged her Will for 'free' as part of her Premium Banking service, appointing the Bank as the Professional Executor.

## What happens if Pete dies first?

On Pete's death the Will states that everything passes to Laura absolutely which it does.

**Scenario 1** – Laura never has another relationship, never makes a new Will and when she passes away the final estate of £750,000 is split 5 ways with each child inheriting £150,000.

**Scenario 2** – Laura's relationship with Pete's children Chloe and Alex breaks down and she decides to make a new Will cutting them out completely and effectively disinheriting them.

**Scenario 3** – Laura meets 'David' who has 1 daughter (Rosie) that Laura becomes very close to. In time Laura, her 3 children, David and Rosie become a very close family unit. Over the years Laura loses contact with Pete's children Alex and Chloe, and she decides to make a new Will which doesn't include them, on the basis they make no effort to contact her, and they are 'well off in their own right'.

## What happens if Laura dies first?

**Scenario 1** – Same as above

**Scenario 2** – Same as above with Pete making a new Will excluding Laura's children Daisy & Ellie.

**Scenario 3** – Pete finds love again, losing contact with Laura's children and creates a new Will in favour of his 'new family'. On Pete's passing Daisy and Ellie do not inherit any of the estate, now valued at £750,000.

## Further Complications

- Turns out Laura's Will wasn't free from the Bank after all. With their appointment as professional Executor they charge 4% of the estate value to administer the estate, amounting to a whopping £29,000.
- A huge division is created within the family, leading to considerable arguments and fall outs
- Inheritance Tax and the RNRB
- The disinherited children are naturally disgruntled and decide to contest the Will on the basis that their parents would never have knowingly disinherited them.
- The aforementioned complications add considerable delays and it takes several years, and great expense to resolve these issues and distribute the estate.

Had Laura and Pete taken professional advice the risks of simple, mirror Wills would have been fully explained to them, helping to avoid sideways disinheritance.

## The Solution

This is a HIGHLY SPECIALISED area of Estate Planning. A professionally accredited Estate Planner will guide and advise through this complicated maze, helping you, and your clients:

- Thorough initial consultation to establish the family tree & relationships of all relevant parties
- Identify & review any existing planning/documentation – Wills, Trusts, EPA/LPA, AD, LW
- Wishes, concerns and objectives all established and agreed
- A thorough assessment of the estate: asset type, value, ownership etc
- Often worked in association with their Financial Adviser to establish any existing planning, use of allowances/reliefs, existing assets needing protection etc for joined up, collaborative advice
- All options & outcomes/scenarios fully detailed & discussed to ensure informed choice
- Solution presented & implemented in a timely manner
- On-going reviews, to accommodate changing circumstances, needs & legislation