

Life Insurance Solutions for Your Blended Family

Wondering how to provide for your second family if the worst happens to you? Life insurance can be a key vehicle.

Financial planning for blended families can be awkward at best, especially when it comes to dealing with legacy decisions. Leaving a legacy is rarely simple, and providing for extended stepfamilies can make life insurance decisions problematic or uncomfortable.

But there are also ways in which life insurance can help you deal with the special problems of blended families. If you're in this situation, here are a few ways that life insurance can help, as well as things to keep in mind while you're making insurance plans for your blended family:

- You can use a life insurance policy to protect yourself against a loss of income should something happen to your current spouse, as many life insurance policies are intended to do. What makes it more helpful for a blended family is that you

don't risk being forced to give up other assets, such as a vacation house, that you might want to pass on to children from a prior marriage.

- Paying your final expenses, such as funeral costs, probate costs, estate taxes or lingering medical expenses, can be tricky for a lot of families. A life insurance policy, even a small one, can ensure that you are covering these expenses on your own and not forcing your family to deal with them after you're gone. The insurance can even help cover court-ordered obligations resulting from prior family relations, ensuring that the surviving spouse isn't required to make payments to someone else's children.

- The death of a family member often results in a readjustment period for the remaining family members. They may be required to move, find a job or arrange ►

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for the care of the children, all of which will result in extra expenses. Life insurance can provide a cushion for them during this time.

- Some divorce or custody agreements require that parents maintain a certain amount of life insurance to benefit the children from the previous marriage. Be careful about who you designate as the beneficiaries of your life insurance policy, and revisit these decisions regularly, especially if there is a change in your family's status. At the same time, remember that stepchildren are not presumed heirs by law, so if you want your life insurance to provide for them, you'll need to make sure they are properly designated. Even if you've updated other documents, such as your will, to acknowledge new beneficiaries, life insurance will pay out based solely on what is on file with the carrier.
- Remember that your support for one or more households doesn't just consist of your salary. You'll also need to replace the benefits you currently receive from work, most notably health insurance, as well as work you do toward maintaining your home and raising your children.

- One important factor to keep in mind: Death benefits from a life insurance policy are not a matter of public record and not subject to probate, unlike many other means of estate planning. If you want to maintain some privacy for your various heirs, life insurance can be a valuable estate planning tool.

Life insurance is just the tip of the iceberg when it comes to setting out a financial plan for the complexity that can come with a blended family. If you're building a new family, talk to your Baird Financial Advisor about steps to take now that will safeguard their financial future – and yours.

Please reach out if you or anyone you know would benefit from discussing this topic further.