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Estate Planning for Complicated Family Situations

In our modern and increasingly complex society, planning for the future is not always straightforward. Divorce and remarriage, blended families, children with disabilities, or even a financially irresponsible child can complicate estate planning to the point where procrastination is tempting. If any of these situations apply to you, the reality is you should have a well-thought-out estate plan in place.

If You Are Divorced — One of your top priorities is updating your beneficiaries, last will, trusts (along with the executor/trustee), durable power of attorney, and healthcare proxy. You may need to consider more strategic estate planning to avoid estate taxes. Typically, you will not want your former spouse or his/her new blended family to receive any of your assets.

While you can name anyone as your beneficiary on life insurance policies, annuities, retirement accounts (if permitted by your plan), IRAs, and health savings accounts, your children typically cannot receive these funds until they turn 18. In the meantime, your children's appointed guardian, such as their surviving parent, could be designated by the court to manage these monies until they reach adulthood. Proper estate planning can avoid any mishandling of those funds and provide you with the reassurance that your children will be financially protected.

One way to ensure this outcome is to set up a trust with an appoint-

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Estate Planning

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ed trustee, such as a grandparent, aunt, or godparent.

If You Have Remarried — The first step is to sit down with your spouse and discuss what you both feel is fair for each other and your children, perhaps categorizing what is yours, mine, and ours to reach a decision.

Because of state marital estate laws, unless you have a prenuptial agreement in place, your current spouse has legal entitlement to up to half of your estate, regardless of what your will may designate.

Assuring your surviving spouse is provided for while leaving a legacy for your children can be a fragile matter; it's important to have a plan intact that assures both your spouse and children receive what you intend. You might consider a trust, such as a marital trust, qualified terminable interest property trust (QTIP), or irrevocable life insurance trust (ILIT) that can provide lifetime income to your surviving spouse, while simultaneously ensuring that your heirs receive the remaining proceeds.

If You Have a Special Needs Child — Understandably, parents of a special needs child are often so distracted with accommodating their child's immediate needs that important financial matters are overlooked.

The two most important factors to consider are preserving your child's eligibility for Medicaid and other essential benefits while continuing to provide the best possible lifestyle for him/her. However, without a proper action plan, an inheritance could disqualify your special needs child from vital benefits.

To avoid this situation, parents often leave special needs children out of the inheritance equation, listing other siblings or a designated guardian as heirs with the intention that their special needs child will be provided for as he/she continues to receive necessary medical benefits. A much more reassuring path is to consider a special needs trust, which can assure that your child continues to qualify for medical benefits while providing a sound financial future that can include special trips, therapeutic lessons, and life-enhancing activities.

An Irresponsible Adult Child Consider establishing a trust — such as a spendthrift trust or even an incentive trust — where the appointed trustee can limit your child's inheritance to several installments throughout the course of his/her lifetime (even on an annual basis if you so wish), place conditions such as good behavior on the disbursements, or even appropriate the funds for something as specific as college tuition.

Please call your financial advisor to discuss this topic in more detail. ❍❍❍

Growing Your 401(k) Plan

Your 401(k) plan's ultimate size is primarily a function of two factors — how much you contribute and how much you earn on those contributions. Of course, you know you should contribute the maximum amount possible ($24,500 in 2026 plus $8,000 in catch-up contributions for individuals over age 50, if permitted by the plan). But what steps should you take to maximize your returns? Consider these tips:

✔ **Take advantage of employer matching contributions.** Contribute at least enough to take full advantage of any matching contributions. You simply lose the money if you don't use it. A 50% match on your contributions is the equivalent of earning 50% on your money in the first year.

✔ **Select your investment alternatives carefully.** Since you are responsible for investment decisions, understand all alternatives and review all available information before making choices. Keep in mind the long-term nature of your retirement goal and select investments for that time period. For most participants, that will mean that a significant portion of their portfolio should be invested in growth alternatives.

✔ **Rebalance periodically.** Numerous studies have found that rebalancing reduces portfolio volatility, often with increased returns. By rebalancing, you are following a fundamental investment principle — you are buying low (those investments that are underperforming) and selling high (those investments that are performing well). Since your 401(k) plan is tax deferred, there are no tax ramifications to buying and selling within the account.

✔ **Limit the amount of company stock owned.** It is generally recommended that any one stock not comprise more than 5% to 10% of your portfolio's value. If you own company stock in your 401(k) plan, look at how much of your total balance it represents.

✔ **Don't borrow from your 401(k) plan.** Only borrow as a last resort, since there are also hidden costs to this borrowing. While your loan is outstanding, you miss out on any capital gains or other income those investments would have earned. Interest rates are typically very reasonable with 401(k) loans, which could mean your 401(k) account is earning lower returns. Also, if you leave the company while a loan is outstanding, you must repay the entire balance within a short period of time or the loan will be considered a distribution. ❍❍❍

Overcoming 5 Retirement Fears

We've all heard stories about people losing all of their retirement savings in a stock market crash, outliving their money, or incurring unexpected medical expenses that forces 80-year-olds back into the workforce. At times, these stories can seem overwhelming — even to the point of deterring people from planning for retirement. Are these fears likely to become realities? Probably not, but the truth is that these things can happen. Here's how you can deal.

1. Outliving your money — There's a rule of thumb to decrease the odds of outliving your money over a 25 year retirement: by the time you're ready to retire, you should have saved 8 times your annual salary. To get there, gradually work up to it. For example, at age 35, you should have 1 times your current salary saved, then 3 times by 45, 5 times by 55, and so on.

Of course, the amount of money you need to have saved by the time you're ready to retire depends on a huge range of individual factors: What are your plans for retirement? How old are you? Will you still have a mortgage? Do you have long-term-care insurance? To truly decrease the odds that you'll outlive your money, work with a financial advisor to develop a robust retirement plan, then stick to the plan and revisit it often to make sure it remains in alignment with your goals and circumstances.

2. High inflation — What if inflation went up to 12–14% like in the 1970s? What would you do? It's probably not likely that inflation will spike like that again, however, because it has happened before, you want to be prepared. This is where an annual review of your investments can be wise. In periods of very high inflation in the U.S., for example, you may need to adjust your investment strategy. Indeed, that is the point of diversification: if you are properly diversified, your portfolio should include investments that move opposite each other, so when one asset class or subclass is down, another is up.

3. Unexpected medical expenses before retirement — Unexpected medical expenses that you may incur while you are still working could totally derail your retirement. To prepare for them, it's important to have insurance in place, such as disability and life insurance. Disability insurance will ensure that if you do lose your income due to a disability, you will still be able to take care of your basic necessities and not tap into your retirement savings. Life insurance will protect your family in the event of your death — especially important if your income was the key to your spouse's retirement.

4. Unexpected medical expenses during retirement — For most people, health care is one of the largest (often *the* largest) expense incurred during retirement. There are a few ways to prepare for medical emergencies: private health insurance to fill the gaps in Medicare, long-term-care insurance, and rainy day savings. For today's retirees, Medicare takes care of most medical expenses, however, you need savings to cover what insurance won't — like copays and expenses exceeding your insurance limit. And just as you save before retirement for unexpected expenses, so should you continue your rainy day fund in retirement; even if you are adequately insured, copays can be significant if you have a medical emergency.

5. Market crash — As with high inflation, the key to surviving a market crash is diversification. (To be clear, there is no way to insulate yourself completely from the effects of economic turmoil. But you can take steps to ensure that turmoil doesn't completely ruin your retirement plans.) As you get closer to retirement, you should be invested less heavily in equities and more in investments like bonds.

Please call your financial advisor to discuss this topic in more detail. ❍❍❍

A Strategy for College Costs

If you haven't looked at college costs recently, be prepared. For the 2025-26 school year, the average annual cost of a public university is $30,990, while a private university costs $65,470 (Source: *Trends in College Pricing and Student Aid*, 2025). To help ensure you'll be prepared to provide your children with a college education, start planning now. Consider the following tips:

✔ **Start investing now.** Determine how much you need to save to reach your goals. Many people will have difficulty saving the amount needed to fully fund a college education. However, there are other sources to help fund those costs, such as loans and financial aid. Thus, your goal may be to accumulate 30%, 50%, or some other percentage of the total cost of college. If you're tempted to postpone starting an investment program, run your savings numbers again, assuming you wait a few years before investing. The increase in the annual savings amount may be startling.

✔ **Determine if you can pay some costs from current income.** Paying down your debts before your child enters college may free up current income for college costs.

✔ **Encourage your child to participate in the process.** Maintaining good grades and participating in extracurricular activities may make your child a more desirable candidate for college. He/she may then be eligible for a larger range of grants or scholarships. The most attractive loan programs are offered only to students. While you may not want to burden your child with large loans, it may make sense for your child to obtain the loan and, if able, you can then gift funds at a later date for him/her to repay the loan.

✔ **Expect your child to work to pay part of the cost.** Although a child will have difficulty saving all the costs for college, you may expect him/her to fund a certain percentage of those costs. You can make him/her responsible for tuition, out-of-pocket expenses, transportation costs, or room and board. This may also help ensure your child is committed to his/her education. ❍❍❍

A Budget for College Students

✔ First consider all potential expenses, including food, travel, clothing, entertainment, phone, subscriptions, computer expenses, medical and dental expenses.

✔ Develop a preliminary budget. After a couple months, you can develop a more realistic budget.

✔ If your child has trouble sticking with the budget or can't account for large sums, keep a list for a couple of weeks.

✔ Consider providing your child with a debit card rather than a credit card, so it is harder to overspend.

✔ Make sure your child doesn't use a credit card as a means to overspend. Go over which types of items your child can use the credit card for and which items should not be charged. Make sure your child understands that if the balance isn't paid in full each month, a significant amount of interest will be paid.

✔ Have your child provide you with a written monthly comparison of his/her actual expenses to budgeted amounts.

Keep in mind that you are teaching your child money basics that will help him/her for a lifetime. ❍❍❍

Financial Thoughts

About 23% of Americans didn't take a single vacation day over the past year, according to a recent survey from FlexJobs. About 43% of respondents say their workload is too heavy to justify time away, while 29% feel too guilty or have been pressured to appear committed.

The entire world got a little bit wealthier in 2024 according to the UBS Global Wealth Report. In fact, the report notes that total wealth around the globe has risen at a compound annual growth rate of 3.4% since 2000, net of inflation. There was a bit of a hiccup in 2022, when global wealth sank 3%, but people got 4.2% richer in 2023 and another 4.6% wealthier in 2024.

Fewer than one in 10 students receive a scholarship. An estimated $46 billion in public scholarships are given each year (along with about $7 billion in private scholarships).

The average U.S. household with student debt owes $55,777, according to NerdWallet's 2024 household debt study, published in January 2025. Some borrowers say they regret borrowing for college. While 57% of Americans think four-year college is worth the cost, 30% of those who took out student loan debt for themselves don't think that their college education was worth the debt, according to a June 2024 NerdWallet study. ❍❍❍