

Using Life Insurance for Blended Families

A blended family is a married couple in which one or both spouses are remarried, often with children from one or both previous marriages—and possibly children from the current marriage as well.

It is widely recognized that blended families make up an increasing portion of all household in the U.S. today. Some suggest that blended families actually outnumber traditional families as a result of higher divorce rates and relatively high incidence of remarriage of the divorced and widowed with children.

We believe that blended families have unique and challenging estate planning and life insurance needs that are frequently overlooked or misunderstood. Without adequate planning, the children of prior marriages, may be unintentionally disinherited. Proper planning can avoid some of the hidden traps, and ensure that your assets are fairly distributed according to your wishes.

Whether they're in their first, second or third marriage, most parents have a natural desire to build and preserve an estate that can be passed at death to the surviving spouse and children, with the least possible federal and state death taxes. In order to distribute your assets in accordance with your wishes—not by a probate court—you need basic estate planning documents, such as a Will, power of attorney, and trust.

Each spouse in a blended family may want to provide a fair and balanced inheritance for the surviving spouse and family, including children from previous marriage(s). Doing so can reduce potential conflicts among family members.

In a traditional family, there is often less concern about providing an inheritance for the children immediately upon the first parent's death—they would not ordinarily expect an inheritance until after the death of their surviving parent. But since children from your previous marriage(s) may be close in age to your current spouse, their inheritance may be delayed, diminished, or result in their being unintentionally disinherited, without proper planning.

[See reverse side for important information](#)



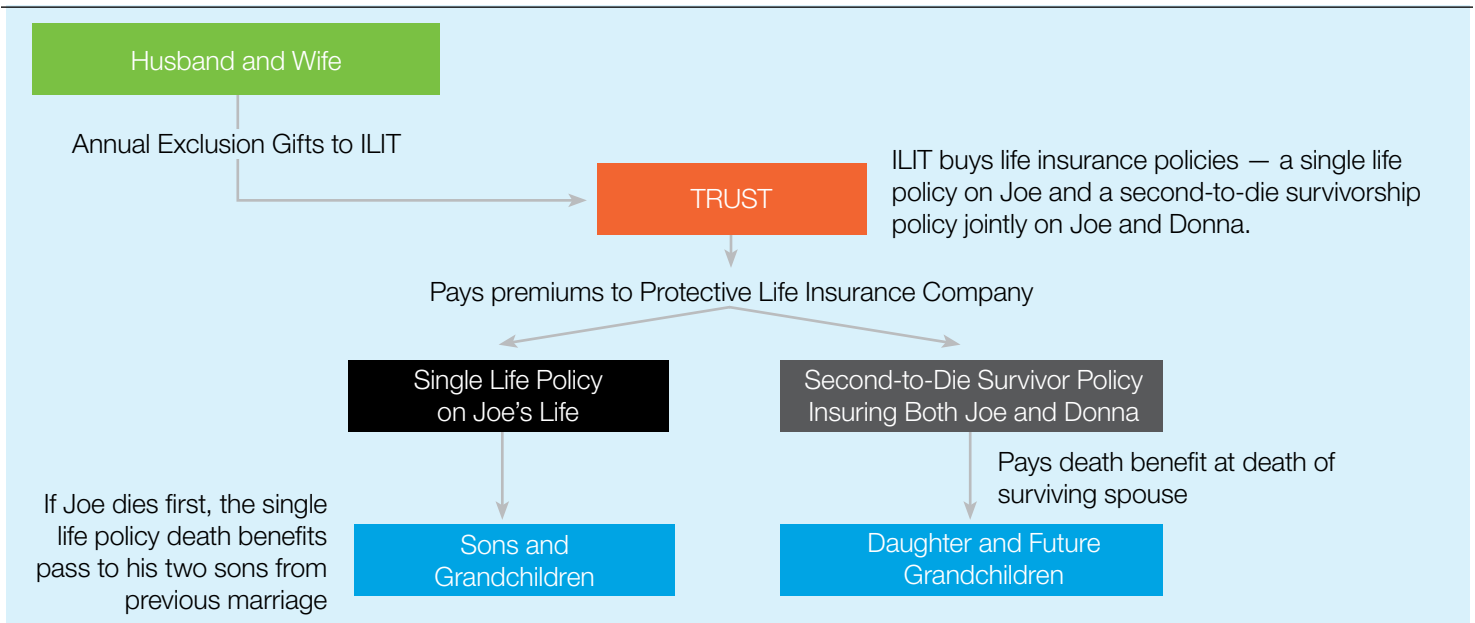
Using Life Insurance for the Blended Family

Life insurance can provide a valuable solution for the special planning issues of the blended family. By insuring the spouse with children from prior marriage using a single life policy, the death benefits can provide a meaningful inheritance at that spouse's death. A survivorship policy can be used to preserve the estate of the current family.

Working with your insurance professional and estate planning attorney, you would create an irrevocable life insurance trust (ILIT) tailored for your unique circumstances. Depending on the situation, the ILIT may own one or more policies to help achieve your estate planning goals. You will gift the life insurance premiums to the ILIT—often without federal taxes if the amount gifted is equal to or less than the current annual gift exclusion amount of \$14,000.¹ Another life insurance policy may be desirable if the other spouse also has children from a previous marriage.

At your death, the insurance proceeds will be paid to the ILIT (free of income and estate taxes), managed or distributed according to your wishes. The end result is that your children will not have to wait for their inheritance.

How It Works Joe (age 60) and Donna (55)



To learn more about creating an inheritance for children in blended families, consult your attorney or tax advisor. Your Protective Life representative can give you more information about guaranteed second-to-die survivorship universal life insurance and how it can help you accomplish your goals.

These materials contain statements regarding the tax treatment of certain financial assets and transactions. These statements represent only our current understanding of the law in general and are not to be considered legal or tax advice by purchasers. Estate tax rules and the tax treatment of life insurance are subject to change at any time. Neither Protective Life nor its representatives offer legal or tax advice. Purchasers should consult with their legal or tax adviser regarding their individual situations before making any tax related decisions.

¹ The annual exclusion amount is indexed and may increase in future years.

For more information, contact your
Financial Representative.

Life insurance is issued by Protective Life Insurance Company,
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