
Stepfamilies: Who gets the money?

Insights from Charles W. Collier,
Harvard's Senior Philanthropic Adviser

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“Stepfamily inheritances are a very complex issue,” says Peter Solomon '60, MBA '63. “It’s an ongoing conversation and I don’t have all of the answers.”

Solomon, chairman of Peter J. Solomon Company, L. P., an investment banking advisory firm in New York City, has thought deeply about inheritances for the next generation. He has also taken

a stand for the principle of equality of distributions made during his lifetime. He makes current gifts to his children, his wife’s children, and all of their grandchildren in equal amounts. In his estate plan, he leaves money to his children and to his wife, both to secure her financial position and to support her charitable giving.

Estate planning for stepfamilies represents a complicated transition. It is hard enough to bring two families together, but when there is money of consequence, competing claims often arise. All families are unique and there is no route to follow as a stepfamily. Typically, one or both spouses brings children from a previous marriage, and sometimes they have a child together.

“There are a number of planning challenges for stepfamilies,” says Nancy B. Gardiner '78, director of Select Client Services at Hemenway & Barnes, a law firm in Boston. “The problems vary, based on the age of the parents, the nature of their holdings, and the ages of their children. In the midst of the joy of a second marriage, significant questions are often lurking.”

Who, then, receives a financial inheritance? The wealthier spouse usually wants to provide for his or her second spouse, even though he or she may still be making alimony payments.

But a number of difficult questions emerge. What will the wealthy father’s children think if they have to wait for the younger second wife to die before they receive a financial inheritance? In a long-term marriage, do the children of the less wealthy stepdad expect an inheritance from their wealthier stepmom? If you want to provide an inheritance to your stepchildren, what would be an appropriate amount vis-à-vis your own children? How do you factor in the potential inheritances from an ex-spouse? What are you—as a stepfamily—up against in making a decision?

One way through these dilemmas is a series of conversations that we might call “breakthrough conversations.” Some topics are hard to discuss and can be uncomfortable. It takes time and courage to confront these issues. “A thoughtful estate plan for stepparents,” says Gardiner, “results when there is an opportunity for an open conversation among family members.”

My preferred process is a three-part conversation.

The first part begins with your spouse and focuses on your options. A key goal is to create clarity about your expectations of how much to leave the children—both yours and your spouse’s—if anything. You may not agree, but these differences should be discussed and respected. Indeed, you may find that there are differences where you thought there were none, and points of agreement that you did not expect. Ask yourselves the following questions:

- How do you think about sharing some of your wealth with your second spouse and his or her children?
- What is the inheritance meant to accomplish?
- What principles inform your thinking?
- Where have you seen inheritances in a stepfamily managed well?
- Where have you seen them managed poorly?
- What worries you if your children have to wait for a financial inheritance because of your second marriage?
- What would your parents say about these decisions?
- Can you bring your children and stepchildren into the conversation?

The second part is a talk with your children and your second spouse’s children to get their impressions. You may be able to bring both sets of children together for this important conversation. Remember, it is your responsibility to make

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these decisions, but giving your children a “say” can be an important contribution to making a truly thoughtful decision. Here are four questions to ask the next generation:

- How did you adapt to the second marriage of your father/mother?
- What are your expectations for a financial inheritance?
- How do you differ on that question from your siblings and your stepsiblings?
- How do you view the purpose of an inheritance from your stepmom/stepdad?

In the third discussion, you tell all of the children about your decision regarding your estate plan, why it is important to you, and how you integrated some of their ideas into it. You can also discuss any next steps and other topics that focus on the future.

Here is my suggestion: **Engage all of your adult children and stepchildren in a conversation.** Estate planning for stepfamilies is both a legal process and a family process. A central tool for the family process is a number of meaningful discussions held over time. In the long run, these breakthrough conversations could be transformative.

“I’m giving as much money as possible to my children while I’m living,” says Peter Solomon. “The benefit in telling my children what they have and can expect is that they can plan a life within the parameters of that money. This is important to me because it fosters their independence and encourages them to lead their own lives.”

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