

Farther
Intelligent Wealth

Welcome to Intelligent Wealth

Farther is the Intelligent Wealth Platform, built from the ground up to unlock greater wealth throughout your financial life

IN DEPTH GUIDES

Estate planning & retirement accounts



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Estate planning and retirement accounts

Planning for the future often comes with worries about protecting your wealth. It's easy to get lost in questions of how best to ensure your assets are safe and will go to the right people when you're not around anymore. A big step in solving these problems is estate planning, but many don't know where to start.

Surprisingly, most adults haven't created key estate planning documents. This lack of preparation can cause unnecessary stress for family members down the line. When retirement accounts are part of your estate, the complexity increases due to special rules that govern their inheritance and distribution.

This guide provides a comprehensive overview of estate planning with a special focus on retirement accounts. We'll cover everything from the basics of wills and trusts to the intricate rules governing inherited IRAs. By understanding these concepts, you can create a robust plan that protects your wealth and secures your legacy for generations to come.



Understanding estate planning basics

Why retirement planning matters

Estate planning is the process of arranging for the management and disposal of your estate during your lifetime and after death. A comprehensive estate plan ensures that your assets are distributed according to your wishes, minimizes taxes and legal fees, and provides for the care of minor children or other dependents.

An effective estate plan can:

- Protect your assets during your lifetime
- Ensure your assets are distributed according to your wishes
- Minimize estate taxes and probate costs
- Provide for the care of minor children or other dependents
- Plan for incapacity and healthcare decisions
- Create a lasting legacy that reflects your values

Essential components of an estate plan

A comprehensive estate plan typically includes several key documents:

- **Will**

A legal document that outlines how you want your assets distributed after your death. It also allows you to name guardians for minor children.

- **Trust**

A legal arrangement where assets are held by one party (the trustee) for the benefit of another (the beneficiary). Trusts can help avoid probate, reduce taxes, and provide more control over how and when assets are distributed.

- **Power of attorney**

A document that authorizes someone to make financial decisions on your behalf if you become incapacitated.

- **Healthcare directive**

Instructions about your medical care preferences if you're unable to communicate. This may include a living will and healthcare power of attorney.

- **Beneficiary designations**

Forms that specify who will receive assets from retirement accounts, life insurance policies, and other financial accounts.

- **Digital Asset Plan**

Instructions for managing online accounts, digital currencies, and other virtual assets.

Taking inventory of your assets

An effective estate plan begins with a thorough inventory of what you own. This comprehensive list helps you understand the full scope of what needs protection:

- Debts and liabilities
- Financial accounts
- Real estate
- Personal property
- Business interests
- Digital assets

This inventory forms the foundation of your estate plan and helps ensure that all your assets are accounted for and properly addressed in your estate planning documents.



Wills vs. trusts — making the right choice

What is a will?

A will is an essential estate planning document that details how you want your property and assets distributed after death. In this official document, you name an executor who will manage the distribution according to your wishes, ensuring your belongings go to the intended family members, friends, or charities.

Beyond asset distribution, a will enables you to name guardians for minor children and make arrangements for pets. It provides peace of mind for you and your loved ones by clearly expressing your final wishes about who receives what from your estate.

A will gives voice to your wishes after you're gone, serving as the foundation of your estate plan.

What is a trust?

A trust creates a legal arrangement where a trustee manages assets for your beneficiaries, providing control over how and when assets are distributed during your life or after death.

Unlike wills, trusts can bypass probate court, protect assets from creditors, and offer tax advantages. Each trust is established through a document that outlines its terms, management structure, and included assets. With options like revocable and irrevocable trusts, you can tailor your estate plan to meet specific needs and goals.

Trusts offer a powerful mechanism for managing assets and protecting wealth across generations.

Key differences between wills and trusts

Understanding the differences between wills and trusts can help you make informed decisions about your estate plan. Here are the key distinctions:

1. Timing of effect

- a. Wills — A will has no power until after you pass away. Everything in your will remains under your control during your lifetime. After death, the will must go through probate before assets transfer to your heirs.
- b. Trusts — Trusts operate differently, potentially taking effect as soon as you create them. Once you place assets in a trust, it begins working according to its terms, allowing for smoother transfer of assets without waiting for probate.

2. Probate requirements

- a. Wills — After death, your will must be proven valid through probate before assets can be distributed as specified. This probate process often takes time and involves court fees.
- b. Trusts — A significant advantage of trusts is avoiding probate entirely. Assets properly placed in a living trust transfer directly to beneficiaries upon your death without court involvement. This results in faster distribution and potential savings on legal costs associated with probate.

3. Privacy of the process

- a. Wills — Wills become public record during probate, allowing anyone to access information about your asset distribution and beneficiaries.
- b. Trusts — Trusts offer greater privacy protection. As private arrangements that avoid probate, trusts keep your asset distribution and beneficiary information confidential. This privacy makes trusts attractive for those who prefer discretion regarding their financial affairs.

4. Control over assets during life

- a. Wills — With a will, you maintain complete control over your assets during your lifetime.
- b. Trusts — With a revocable living trust, you maintain control over assets placed in the trust while you're alive. As the trustee, you can manage and use these assets as you wish. You retain the power to transfer ownership or change the trust's terms. Since this type of trust is revocable, you can modify or dissolve it as needed without major complications.

How to choose between a will and a trust

When deciding between a will and a trust, consider your financial situation, estate planning goals, and tax implications. Assessment of these factors can help you determine which option best suits your needs.

Assess your financial situation

To decide between a will and a trust, start by evaluating your financial situation. Consider the value of your assets, such as retirement accounts, personal property, and estate assets.

Assessing potential tax implications is crucial in making this decision. Furthermore, think about whether you want control over your assets during your lifetime or if you have complex legal arrangements that may need to be included in your estate plan.

Consider your estate planning goals

Think about what you want to achieve with the distribution of your assets and how you want to provide for your loved ones after you're gone. Consider the age of your loved ones and any special support or provisions you want to include to ensure your assets are used in a productive manner.

For folks with charitable intent, it will be important to think about the type of impact you want your estate to have on the causes that you want to support. There are many unique structures and language that can be used within estate documents to ensure your wishes are respected even after your passing.

Evaluate tax implications

When evaluating tax implications, it is important to understand the tax variances between wills and trusts.

Type of trust	Primary purpose	Key benefits
Revocable Trust	Maintain control of assets during your lifetime	<ul style="list-style-type: none">• Avoids probate• Can be modified or terminated
Irrevocable Trust	Permanently transfer assets from estate	<ul style="list-style-type: none">• Reduces estate taxes• Asset protection from creditors
Special Needs Trust	Provide for disabled beneficiary	<ul style="list-style-type: none">• Preserves government benefits• Protects vulnerable beneficiary
Charitable Trust	Support charitable causes	<ul style="list-style-type: none">• Tax deductions• Philanthropic legacy
Qualified Personal Residence Trust (QPRT)	Transfer home to beneficiaries	<ul style="list-style-type: none">• Reduces gift tax value• Continue living in home
Guarantor Retained Annuity Trust (GRAT)	Transfer appreciating assets while receiving income	<ul style="list-style-type: none">• Transfer asset growth tax-free
Irrevocable Life Insurance Trust (ILIT)	Own life insurance policies	<ul style="list-style-type: none">• Proceeds excluded from estate

Wills may be subject to estate taxes based on the total value of the assets, while assets in a trust can potentially mitigate estate taxes due to their removal from the taxable estate and probate process.

Trusts also offer potential tax advantages for beneficiaries, as they may receive assets with reduced or no tax liabilities compared to those received through a will. Moreover, certain types of trusts, such as charitable trusts, provide specific tax benefits and deductions for both the creator of the trust and their heirs.



Understanding different types of trusts

Estate planning offers several trust options to address different needs. Each type serves specific purposes and offers unique benefits. Understanding these different trust types helps you make informed decisions about your estate plan, creating arrangements that align with your financial goals and family circumstances.

Revocable trusts

A revocable trust, also known as a living trust, can be modified or terminated by the individual who established it, referred to as the grantor. This adaptability allows the grantor to retain authority over their assets while alive, making it a widely favored option for estate planning.

Key benefits include:

- Assets held in a revocable trust bypass probate, ensuring confidentiality
- Potentially expediting asset distribution following the grantor's passing
- Aiding in asset management if the grantor becomes unable to make decisions
- Important consideration:

Due to its modifiable or terminable nature, assets included in a revocable trust may still be considered part of your taxable estate when you pass away.

Irrevocable trusts

An irrevocable trust is a type of trust where the terms cannot be changed once it's established. Assets transferred into the trust belong to the trust, not the creator.

Key benefits include:

- Ensuring that assets are separate from your estate for tax purposes o Potentially helping to avoid estate taxes
- Protecting assets from creditors
- Allowing for asset distribution outside probate
- Offering greater control over management

Irrevocable trusts are often used to minimize estate taxes, enable long-term management, or support charitable giving. Despite their benefits, it's crucial to consider their inflexibility, as once established, the terms cannot be altered.

Special needs trusts

A special needs trust is crafted to improve the quality of life for a person with disabilities while safeguarding their eligibility for government assistance programs like Medicaid and Supplemental Security Income.

This type of trust can be used to manage the financial affairs of someone with physical or mental disabilities, ensuring their long-term care needs are met. The main aim is to preserve assets and provide for the ongoing medical care, housing, and specialized services required by individuals with special needs.

This legal arrangement allows family members or guardians to contribute funds toward supplemental items such as therapies, education, recreation, transportation, and other vital expenses while preserving eligibility for public benefits.

Charitable trusts

A charitable trust is a legal arrangement crafted to enhance philanthropy by including assets for the benefit of a specific charity or cause.

Charitable trusts can be a valuable tool in reducing federal estate tax as assets transferred to the trust are considered part of your estate and may qualify for tax deductions.

It's not simply about giving, but also about strategic financial planning. With thorough estate planning services, individuals can establish a charitable remainder trust, effectively ensuring that their chosen charity receives the remaining assets after beneficiaries' needs are met.

Qualified Personal Residence Trusts (QPRTs)

Qualified Personal Residence Trusts (QPRTs) effectively minimize estate taxes by transferring your home into the trust while allowing you to continue living there for a specified period.

Once the term ends, if you're still alive, ownership transfers to your beneficiaries, reducing gift tax obligations. If you pass away before the trust term ends, a portion of the home's value might be included in your estate.

However, any increase in the home's value occurs outside your taxable estate, potentially avoiding significant estate taxes. QPRTs are advantageous when property values are expected to rise, offering substantial estate tax savings.

Grantor Retained Annuity Trusts (GRATs)

GRATs allow you to transfer assets while receiving annuity payments for a specified period. Any asset appreciation during this time is not subject to estate and gift taxes.

After the trust term, remaining assets pass to your beneficiaries with minimal estate or gift tax implications. This approach is especially useful for high-growth assets that may exceed IRS interest rate assumptions. By setting up a GRAT and transferring appreciating assets, you can lower future estate tax liability. If the asset value grows faster than IRS estimates, even more wealth can be transferred to beneficiaries tax-free.

Intentionally Defective Grantor Trusts (IDGTs)

IDGTs are a type of trust used to transfer assets from an estate for estate tax purposes. They allow the grantor to move assets to the trust, reducing the taxable value of their estate.

While the assets in an IDGT are transferred from the grantor's estate, they're still considered part of it for income tax purposes. This means any income generated by the trust is taxed directly to the grantor, lowering its overall value and potentially reducing gift and estate taxes upon transfer to beneficiaries.

Irrevocable Life Insurance Trusts (ILITs)

ILITs are set up to own life insurance policies. The purpose is for the policy proceeds not to be included in the insured person's estate when they pass away, therefore avoiding federal estate taxes.

When establishing an ILIT, it's vital to appoint a trustee and beneficiaries and ensure that payments into the trust are made according to IRS requirements. Then, the trustee uses these funds to pay premiums on a life insurance policy owned by the trust, benefiting your chosen beneficiaries upon your passing.

ILIT gains an advantage as it allows beneficiaries access to funds without triggering estate taxes. Yet, there are strict guidelines for its creation and management which demand professional advice due to the requirement for 100% compliance with tax laws while saving you significant costs related to estate taxes.



Estate tax planning strategies

Understanding estate taxes

The estate tax is a federal tax on the transfer of assets from someone who has died to their heirs or beneficiaries. If an estate is worth more than the federal estate tax exemption, part of it might be subject to federal estate taxes.

As of 2025, estates valued above \$13.99 million for individuals or \$27.98 million for married couples are subject to federal estate tax. These exemption amounts have increased from the 2023 levels of \$12.92 million for individuals and \$25.84 million for married couples.

It's important to note that under current law, these higher exemptions are set to expire at the end of 2025, potentially reducing the individual exemption to approximately \$7 million in 2026.

Additionally, some states impose their own estate taxes with exemption amounts that differ from federal regulations. For example, New York's exemption for 2025 is \$7.16 million.

How trusts can help avoid estate taxes

Transferring assets to a trust and reducing the taxable value of an estate can minimize estate tax burden. Different types of trusts like irrevocable trusts, QPRTs, GRATs, IDGTs, and ILITs offer effective strategies to avoid estate taxes. However, it's important to note that while trusts can help avoid estate taxes, they may still be subject to income taxes.

Transfer assets to a trust

Transferring assets to a trust is a smart way to avoid estate taxes. This process can help you manage how your wealth is passed on after you're gone.

Key steps include:

1. Pick the right type of trust for your goals, such as an irrevocable trust or a revocable living trust
2. Move your assets into the trust's name, including cash, stocks, real estate, and other valuables
3. Understand that once in an irrevocable trust, you can't get those assets back for yourself
4. Use a qualified personal residence trust (QPRT) to transfer your home into a trust but keep living there for a set time
5. Reduce estate taxes by transferring income-producing assets into the trust, letting them grow tax-free
6. Get life insurance through an irrevocable life insurance trust (ILIT) to pay future estate taxes and protect more of your wealth from taxes
7. Work with an estate planning attorney to make sure everything is set up right and follows current tax laws

Doing this lowers the value of your taxable estate, which can mean less money owed in estate taxes when you pass away.

Reducing the taxable value of an estate

After you transfer assets to a trust, the next step is reducing your estate's taxable value to minimize federal estate taxes. This method lowers how much tax your estate owes.

Strategies include:

- Give gifts up to the annual exclusion limit each year to reduce your estate's size
- Use a life insurance policy within an irrevocable life insurance trust (ILIT) to keep the death benefit out of your taxable estate
- Set up a qualified personal residence trust (QPRT) to move your home out of your estate at a reduced tax cost
- Create a grantor retained annuity trust (GRAT) to give assets to beneficiaries while reducing gift taxes
- Donate to charity through a charitable remainder trust (CRT), lowering your taxable estate and benefiting good causes
- Pay for medical and educational expenses directly, as these payments are not considered gifts
- Use an intentionally defective grantor trust (IDGT) to freeze certain asset values for tax purposes
- Establish a family limited partnership (FLP) or limited liability company (LLC) to hold investments, potentially reducing the value of these assets through discounts

Lifetime Asset Protection Trusts (LAPTs)

LAPT is a specialized estate planning tool designed to protect your assets from creditors, lawsuits, and divorce settlements during your lifetime, while also safeguarding inheritances for your beneficiaries.

Key features of a lifetime asset protection trust

- **Irrevocability**

Once established, an LAPT cannot be changed or canceled. The assets you transfer into the trust are no longer yours — they belong to the trust and are managed by a trustee. This irrevocable nature is what provides the strong asset protection benefits.

- **Protection from creditors**

Once assets are moved into the trust, they become shielded from claims against you. If you're sued or face bankruptcy, the assets within the trust remain secure for your beneficiaries.

- **Management by a trustee**

A trustee manages the trust's assets according to the terms specified in the trust document. Trustees can be family members, friends, or professionals like estate planning attorneys.

Benefits of a lifetime asset protection trust

- **Safeguarding inheritance**

LAPTs preserve inheritance for your loved ones by protecting assets from creditors and lawsuits. This ensures that what you leave behind goes directly to the beneficiaries without risks.

- **Divorce and lawsuit protection**

These trusts safeguard assets from claims made during divorce proceedings. If one partner faces a creditor's claim or legal action, the assets held in the trust remain protected.

- **Tax advantages**

When assets are transferred into the trust, they may no longer be part of your taxable estate, potentially reducing estate taxes. The trust may also allow for more favorable treatment of certain investments and distributions.

Potential drawbacks

Despite their benefits, LAPTs come with considerations:

- Once created, the trust cannot be easily changed or revoked
- Initial setup costs and ongoing management fees
- Loss of direct ownership and immediate access to the assets
- Complexity in transferring assets into the trust

A LAPT might be a good fit if protecting assets from creditors is a key goal in your estate planning. However, carefully evaluate this option with professional guidance to ensure it aligns with your financial objectives and family needs.



Retirement accounts in estate

What happens to your 401(k) when you die

Retirement accounts like 401(k)s form a significant part of many people's estates. Understanding how these assets are transferred after death is crucial for comprehensive estate planning.

Role of beneficiaries

Beneficiaries determine what happens to a 401(k) after the account owner's death. If you've listed beneficiaries (such as a spouse, children, other relatives, friends, or charities), these individuals or entities will receive the assets directly from your 401(k). This direct transfer helps avoid the probate process, saving time and money.

The plan administrator uses the beneficiary designation form to decide who gets what. Keeping these designations current is crucial, especially after major life events like marriage, divorce, or the birth of children.

Default rules if no beneficiary is named

If you don't name a beneficiary for your 401(k), state laws and plan rules determine what happens. Often, the plan goes to the account holder's estate, which can lead to:

- Delays in payments
- Extra costs
- Probate court proceedings
- Results that may not align with your wishes

Some plans name the spouse as the first default beneficiary, while others may choose children or other relatives next. It's important to check your plan's specific rules.

Types of beneficiaries and their options

1. Spousal beneficiaries:

Spouses have special rights when inheriting a 401(k).

They can:

- a. Treat the account as their own
- b. Roll it into their own retirement plan
- c. Keep it as an inherited IRA
- d. Withdraw funds without the typical early withdrawal penalty (though income taxes still apply)

2. Non-spousal beneficiaries

- a. Non-spouse beneficiaries (such as children, siblings, or friends) cannot roll over the 401(k) into their own accounts directly. They have different options:
- b. Open an inherited IRA and take distributions within 10 years
- c. Take a lump-sum distribution (subject to income tax)
- d. Disclaim the account

3. Minor children as beneficiaries

Minor children can be named as beneficiaries, but they can't access funds directly until they reach adulthood. A guardian must manage the account on their behalf. Setting up a trust or custodial account for minor beneficiaries is often recommended.

4. Charities or organizations as beneficiaries

Charities can be named as beneficiaries of a 401(k). This transfer is usually tax-free for the charitable organization.

Tax implications for beneficiaries

- Taxable Income from 401(k) Inheritance

Inherited 401(k) accounts can create taxable income for beneficiaries. Distributions are taxed as ordinary income at the beneficiary's regular tax rate.

- The 10-Year Rule for Non-Spousal Beneficiaries

Non-spousal beneficiaries must withdraw all funds from an inherited 401(k) within ten years of the original owner's death. If the original owner had begun taking RMDs, distributions must continue at least as rapidly during the 10-year period.

Tips for proper 401(k) estate planning

1. Regularly Update Beneficiary Designations
 - a. Keep your beneficiary designations current, especially after major life events like marriage, divorce, or the birth of children.
2. Understand Per Stirpes and Per Capita Designations
 - a. Per stirpes: If a beneficiary dies before you, their share goes to their children
 - b. Per capita: Divides money equally among surviving beneficiaries
3. Consult with a Financial Advisor:
 - a. Getting professional guidance helps ensure your 401(k) assets transfer smoothly to your loved ones according to your wishes.

Retirement accounts require special consideration in estate planning due to their unique tax treatment and distribution rules. Understanding how these assets pass to beneficiaries is crucial for effective estate planning.

Inherited IRA rules for 2025

In 2025, inherited IRA rules continue to reflect changes introduced in previous legislation, impacting both Roth and traditional IRA accounts after an account holder's death. If you inherit an IRA, it's crucial to understand these rules to avoid unexpected tax bills or penalties.

Key changes to inherited IRA Rules

The IRS made some big changes to Inherited IRA rules for 2025. These updates affect how and when you can access money from an inherited account.

1. Elimination of the stretch IRA

The SECURE Act of 2019 eliminated the Stretch IRA, fundamentally changing how inherited IRAs work. Since January 1, 2020, non-spouse beneficiaries must withdraw all funds within ten years of the original account owner's death.

2. RMD age increases

The SECURE 2.0 Act, effective January 1, 2023, raised the age for required minimum distributions (RMDs) to 73 for those born between 1951 and 1959, and 75 for those born in 1960 or later.

3. Annual RMDs for certain beneficiaries

While the RMD age has increased, beneficiaries must still take annual RMDs in certain situations. Eligible designated beneficiaries must start withdrawals based on their life expectancy.

4. Waiver for missed RMD penalties:

The penalty for missed RMDs was reduced from 50% to 25% by the SECURE 2.0 Act, effective January 1, 2023. Furthermore, this penalty can be further reduced to 10% if the missed RMD is corrected timely.

Types of beneficiaries

Beneficiaries play a key role in inherited IRAs. They fall into different categories, each with its own set of rules and options.

Eligible designated beneficiaries

Eligible designated beneficiaries enjoy special benefits under the new IRA rules. This category includes:

- Surviving spouses
- Minor children of the original account owner
- Disabled or chronically ill individuals
- Individuals not more than 10 years younger than the IRA owner

They have unique options for managing inherited IRAs. For example, surviving spouses can either treat the account as their own IRA or opt to keep it as an inherited IRA. Minor children of the original account owner can take distributions over their life expectancy until they reach the age of majority (21), after which the 10-year rule comes into effect.

Designated beneficiaries

Designated beneficiaries are those named in a retirement account who don't qualify as eligible designated beneficiaries. They can include adult children, friends, or anyone chosen by the original IRA owner.

Designated beneficiaries are required to fully distribute the inherited IRA within ten years following the year of the original account owner's death. If the decedent had begun taking required minimum distributions (RMDs), the beneficiaries must also take annual RMDs during the 10-year period.

Trusts and estates as beneficiaries

Trusts and estates can be beneficiaries of an inherited IRA, following specific rules established by the IRS. When a trust is named as the beneficiary, the rules regarding distributions depend on whether it qualifies as a "see-through" trust, which can affect distribution options and timelines.

Estates that are named as beneficiaries have distinct regulations as well. Typically, if the account owner dies before the required beginning date for distributions, the IRA needs to be distributed within five years.

Distribution options for different beneficiaries

Options for eligible designated beneficiaries

Eligible designated beneficiaries have a few choices for handling inherited IRAs:

- **Treat the Inherited IRA as your own (spouses only)**

Spouses have the unique option to treat an inherited IRA as their own. This flexibility allows them to roll over the funds into their own IRA. If they choose this option, they don't have to take Required Minimum Distributions (RMDs) until turning 73 (or 75, depending on their birth year).

- **Open an Inherited IRA and take distributions over time**

Non-spouse eligible designated beneficiaries can open an Inherited IRA and take distributions over their life expectancy, offering flexibility with funds while helping manage taxes effectively.

- **Take a lump-sum distribution**

This allows you to withdraw the entire account balance at once. It's quick and straightforward but may result in a significant tax bill in the year of the distribution.

- **Disclaim the account**

You can choose to reject your right to inherit the IRA in writing, which must be done within nine months of the original owner's death and before taking possession of the funds.

Options for designated beneficiaries

Designated beneficiaries have several choices for getting money from an inherited IRA:

- **Open an Inherited IRA and take distributions within 10 Years**

Most non spouse beneficiaries must empty the account by the end of the 10-year period following the original owner's death.

- **Take a lump-sum distribution**

Beneficiaries can choose to withdraw the entire balance in one payment, which may result in a large tax bill in the year of distribution.

- **Disclaim account**

A beneficiary can choose to give up their right to the account, allowing it to pass to another designated beneficiary.

Important deadlines and compliance requirements

Managing inherited IRAs requires careful attention to deadlines. Beneficiaries must start taking required minimum distributions (RMDs) by the due date set by the IRS.

The starting age for RMDs is 73 for those born between 1951 and 1959, and 75 for those born in 1960 or later — a change that can impact both taxable income and planning strategies.

Missing these deadlines can lead to penalties, so staying alert is crucial! Filing taxes correctly ensures compliance with new rules — keep records organized and consult a financial advisor for expert advice if needed.

Special estate planning situations

Estate planning for blended families

Blended families face unique estate planning challenges. These families combine children from previous relationships with new spouses and sometimes more children together. Without careful planning, conflicts over inheritance and asset distribution can arise.

Key challenges in estate planning for blended families

- **Balancing the needs of a spouse and children from previous relationships**

Finding the right balance is crucial. A spouse may want to ensure financial support for themselves, while children from a prior marriage often seek their inheritance rights. Both sides have valid concerns that need to be addressed in the estate plan.

- **Avoiding family conflicts over inheritance**

Children from a previous marriage may feel overlooked if assets go mainly to the new spouse. Open communication and clear documentation of wishes can help prevent misunderstandings and reduce tensions.

- **Ensuring fair distribution of assets**

You want both your spouse and children from past relationships to feel valued. A clear estate plan helps specify what each family member receives, creating a sense of fairness and inclusion.

Strategies for blended family estate planning

- **Create or update a will specific to your blended family**

A will is essential, but it's important to note that a will alone may not fully address the complex dynamics of blended families. Without comprehensive planning, assets intended for biological children could inadvertently pass to the surviving spouse and subsequently to their heirs, potentially excluding your own children.

- **Establish a trust for asset protection and control**

A trust allows you to manage assets during your life and after your death. This can ensure that children from a previous relationship get their fair share while also providing for your current spouse.

- **Use a Qualified Terminable Interest Property (QTIP) trust**

A QTIP trust allows a surviving spouse to receive income from the trust during their lifetime. After their passing, the remaining assets are directed to other designated beneficiaries, such as children from previous relationships.

- **Consider a life insurance policy to provide for all heirs**

Life insurance policies can provide liquidity to manage immediate financial needs and help equalize inheritances among heirs. This ensures that all family members are supported, even if other assets are directed to specific individuals.

Best practices for blended family estate planning

- **Communicate openly with family members**

Talk about your wishes and concerns regarding assets and inheritance. Open discussions can prevent misunderstandings and ease tensions between step-siblings or biological children.

- **Regularly review and update beneficiary designations**

Life changes can affect who should inherit your assets. Regular reviews ensure your wishes are clear and current, preventing assets from passing to unintended recipients, such as an ex-spouse.

- **Address potential remarriage scenarios in the estate plan**

A remarriage can significantly change asset distribution. Without appropriate strategies, assets meant for your children might be unintentionally passed to a new spouse and possibly their heirs.

- **Choose neutral or professional trustees to manage assets**

Neutral or professional trustees can manage assets impartially and fairly, helping avoid conflicts in blended families. Their expertise ensures that complex situations involving children from different marriages are managed effectively.



Common estate planning mistakes

Planning for the future through proper estate planning is essential. Many people either delay or overlook this important process, which can create significant issues for their families later on. Here are common mistakes to avoid:

1. Not having an estate plan

This mistake is significant even for those who believe they aren't wealthy enough to need one. Without an estate plan, state laws will determine how your assets are divided. Such default distributions may not align with your wishes. Key components of an estate plan include a will, power of attorney, and health care directives.

Skipping these legal documents can lead to family stress later on. They may face a probate process that is costly and time-consuming, potentially sparking disputes among relatives.

Even with straightforward finances, creating an estate plan clarifies things for everyone involved.

2. Procrastinating on updates

Major life events such as marriage, having children, or buying a home change your needs. Your estate plan should be updated to reflect these changes, keeping your final wishes in line with your current life circumstances. Immediately after any significant life change, review and update beneficiary designations on accounts such as IRAs and insurance policies. Also, failing to name contingent beneficiaries is a common oversight.

As you move through different life stages, your estate plan should evolve accordingly to avoid problems for those you leave behind.

3. Failing to name contingent beneficiaries

This oversight can significantly impact effective estate planning. If your primary beneficiary cannot receive their share, the assets may go to someone else or get stuck in probate.

Such delays can create stress and confusion for loved ones.

For instance, if you have life insurance policies or retirement accounts, always include a backup name on the documents. Without proper beneficiary forms, your remaining assets might not end up with who you intended.

4. Overlooking digital assets

Many people establish their executor or trustee but forget about their online presence. Digital assets can include social media accounts, online banking, and virtual investments. Neglecting these in your plan can create complications for your heirs.

Without proper documentation, loved ones may struggle to access your entire estate.

In a comprehensive estate plan, you should identify all your digital assets. Create a list of each account including usernames and passwords. This simple step can save time and reduce stress for those left behind.

The tax consequences should not be ignored either; some digital assets may contribute to your taxable estate. Planning ahead is essential.

Other critical mistakes

- **Choosing the wrong executor or trustee:**

Your executor manages your estate after you pass away, handling your finances, paying debts, and distributing assets based on your last will. If they lack experience or are not trustworthy, it can cause delays and disputes.

- **Missing key documents**

Incomplete documentation can lead to significant problems in estate planning. Make sure you have a will, trust documents, healthcare power of attorney, living will, IRA beneficiary forms, and financial power of attorney.

- **Ignoring tax implications**

The tax consequences of estate planning should never be underestimated. While estate taxes can reduce the value of an estate, it's important to note that estates valued below the federal estate tax exemption of \$13.99 million per individual are not subject to federal estate taxes.

- **Not planning for disability or long-term care**

Failing to prepare for potential incapacity can lead to serious complications. You may need assistance if you become unable to care for yourself due to illness or aging.

- **Leaving loved ones uninformed**

Without clear communication, your family may struggle to understand your wishes, causing delays in settling your estate. They might not know about important documents like wills or trusts.

- **Creating an estate plan without professional guidance**

Taking a do-it yourself approach to estate planning can lead to significant errors. Many people believe they can handle it alone, unaware of state and federal laws that affect their plans.

- **Forgetting final arrangements**

Decide what you want for your final wishes, like burial or cremation, and write it down clearly. Talk to family about these choices to avoid added grief for those you care about.

Working with financial professionals

The role of a financial advisor

Estate planning is complex, and having the right strategy in place is crucial to ensuring your assets are protected and passed on according to your wishes.

A financial advisor can help you navigate the intricacies of estate planning, from minimizing taxes to structuring trusts and preparing for future generations. They will work with you to create a comprehensive plan that aligns with your goals, offers peace of mind, and secures your legacy.

A financial advisor can assist with:

- Assessing your financial situation and goals
- Evaluating tax implications of different estate planning strategies
- Helping you choose between a will and a trust
- Recommending appropriate types of trusts for your situation
- Coordinating with other professionals such as attorneys and tax advisors
- Creating a comprehensive financial plan that incorporates estate planning
- Regularly reviewing and updating your estate plan as needed

When to consult estate planning attorneys

While financial advisors can provide valuable guidance on estate planning strategies, estate planning attorneys specialize in the legal aspects of estate planning. They can draft legally binding documents, ensure that your estate plan complies with state and federal laws, and provide specialized advice on complex estate planning situations.

Consider consulting an estate planning attorney when:

- Creating or updating your will or trust
- Establishing complex trusts such as irrevocable trusts or special needs trusts
- Planning for a blended family or complex family situation
- Developing strategies to minimize estate taxes
- Setting up a business succession plan
- Creating or updating powers of attorney and healthcare directives
- Addressing concerns about potential legal challenges to your estate plan

Working with both financial advisors and estate planning attorneys can provide a comprehensive approach to estate planning that addresses both financial and legal considerations.



Next steps with Farther

Don't leave your estate plan to chance. A Farther financial advisor can help you navigate the complexities of estate planning, create a comprehensive strategy tailored to your unique situation, and ensure that your wealth is protected and passed on according to your wishes.

Our advisors specialize in:

- Comprehensive estate planning strategies
- Tax-efficient wealth transfer
- Retirement account planning and inherited IRA strategies
- Trust establishment and management
- Coordination with estate planning attorneys and tax professionals

Take the next step in securing your legacy. Schedule a consultation with a Farther financial advisor today.

Contact Farther to learn more about how we can help you create a comprehensive estate plan that protects your wealth and secures your legacy.

Our team of experienced financial advisors is ready to assist you with:

- Evaluating your current estate plan
- Identifying opportunities for tax optimization
- Creating strategies for efficient wealth transfer
- Managing retirement accounts for maximum benefit
- Coordinating with your legal and tax professionals

Don't wait until it's too late. Your loved ones deserve the security that comes from proper planning. Schedule your consultation today and take the first step toward protecting what matters most.

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