

method holds the inheritance of a child in trust until such time as outright distributions are triggered by such terms as you may determine. Oftentimes, parents will designate multiple distributions of a percentage or fractional share upon a child's attaining certain ages or reaching certain goals set by the parents. Regardless, at some identifiable point the trust share of the child is terminated and the entire inheritance is distributed to them. Contrasted with the outright distribution method, this arrangement with its staggered distribution provisions provides increased protection from the common threats described above. For parents seeking even greater protection of the inheritance and their children, yet another method warrants serious consideration.

Discretionary Trusts

Both the outright distribution and the staggered distribution methods share an apparent attractiveness: Simplicity. But complexity has a tendency to sometimes masquerade as simplicity. For example, of what value is an inheritance if it is taken or lost unnecessarily? Alternatively, an inheritance may be held in a long-term discretionary trust to protect it both *for* and *from* your child, regardless of their age. In such a trust you set the terms under which the inheritance is available for your child. Moreover, if properly constructed, a discretionary trust may own assets for the use and enjoyment of your child and even their children for generations ... without the risk of loss between generations to divorces, lawsuits, bankruptcies or squandering. In short, great flexibility, creativity and control are made available through discretionary trust planning.

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PLANNING FOR MINOR CHILDREN



*I*t is an unfortunate fact of life: airplanes plummet, trains derail, ships sink and automobiles crash. Sometimes there are survivors, sometimes there are no survivors. What is left when a tragedy claims both parents of minor children? Orphans and assets.

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Children are a family's greatest treasure. Think of all the precautions taken to safeguard young children - from the first purchase of an infant car seat to the compulsory swimming lessons and even driver's safety instruction. Yet, most parents leave their children completely unprotected from one of life's most crushing blows - being orphaned upon the loss of their parents.

Great Expectations

While every parent expects to rear their minor children to adulthood, life may throw any of us an unexpected curve ball in the form of a fatal injury or illness. Are you, and your children, prepared for that curve ball? Who would you legally appoint to serve as their back-up parents to fulfill your parental responsibilities? Your answer may depend on how family is defined for you. Is yours a single parent family, a blended family or a traditional family?

Single Parent Families

If you are a single parent, then the surviving biological parent automatically remains the natural guardian, unless proven unfit. Without contrary legal arrangements, the surviving parent likely will manage the inheritance you leave behind. Then, upon reaching the age of majority for an inheritance under applicable state law (e.g., typically age 18), your children will receive whatever is left of their inheritance without guidance or restriction. If both you and the other parent are deceased, what happens? In that instance, if there are no proper legal plans in place, a judge will select the back-up parents (i.e., guardians) for your minor children and see that the inheritance is distributed outright at the age of majority.

Blended Families

When the minor children in the household may be yours, mine and ours, how do you select the back-up parents ... especially when the children consider themselves to be one family? Should

the minor children remain together, if possible? If not, then with whom should they be placed and should legal arrangements be made to facilitate their ongoing contact?

Traditional Families

If yours is a traditional, nuclear family, then the whole matter seems rather simple, doesn't it?

The surviving parent remains the natural guardian. However, what if both parents are deceased? Will your children be reared by their paternal or their maternal side of the family? That is when things can get complicated. In our mobile society, both sides of the family may not know one another and may even live on opposite coasts even if they do. Alternatively, perhaps you would you rather your children be reared by good friends in a stable marriage who share your values and lifestyle?

Some Pointers

As you can see, every family situation is different. Nevertheless, here are some general guidelines for your consideration when selecting guardians for your minor children:

- Select guardians who share your religious beliefs, core values and life priorities and already have an established, positive relationship with your children;
- When selecting a married family member, appoint the family member only, not their spouse, in case they divorce or your family member predeceases;
- Ensure that your legal plans provide for

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compensation of the guardians, or at least that assets are available from your children's inheritance to cover all expenses incurred on their behalf; and

- Obtain permission of the selected guardians before appointing them in your legal plans.

Inheritance Planning

Once these guardians are appointed, great care must be given to any inheritance left to your children. Now, let's turn our attention to some methods for managing any inheritance left to them. We will review a common default method provided under the laws of many jurisdictions, a method of providing multiple opportunities for inheritance success or failure and a method that seems complex at first blush, but really may be the simplest method of the three.

Outright Distributions

In the absence of any legal arrangements, the laws of most jurisdictions provide for the outright distribution of an inheritance to a child who is at or beyond the age of majority (e.g., age 18 in most jurisdictions). Children who are under the age of majority receive their lump sum inheritance upon reaching that age. Bottom line: Following an outright distribution to your children, the full inheritance may fall prey to such common threats as divorces, lawsuits, bankruptcies or squandering. If you worked hard to accumulate your wealth, then you may want to protect any inheritance both for your children and from them.

Staggered Distributions

Although a bit more complex than the outright distribution approach, the staggered distribution

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