

Estate Planning for the Worst Possible Scenario – The Death of Both Spouses While the Kids Are Young

The reason why some parents hesitate to make an estate plan is understandable. It calls into consideration your worst fears – the possibility of your death or your kids facing life without one or the other parent.

But what about an even worse scenario – the possibility that you and your spouse could die at the same time or in close succession by accident or illness. One might be reminded of the situation of actor Christopher Reeve and his wife Dana; Dana died of cancer within two years of her husband's death and they left a teenaged son behind.

From the standpoint of individuals, planning generally gets done with the mindset that one parent will be left to raise any minor children and continue earning and investing for the family. But in reality, you both should consider a plan that accommodates the absolute worst scenario - the loss of both parents and what would happen to your kids' lives and finances if that happens.

Most financial experts advise you to revise your estate plan every five years or as lifestyle issues change. It's important to get help for the financial aspects of your estate plan as well as legal instructions for the support, education and general well-being of your kids. Here are some general topics to explore with tax and estate attorneys as well as a financial planner such as a Certified Financial Planner™ professional:

Talk first about who would best raise your kids: This is clearly the most important decision you'll make. You need to find the best person – or couple – to raise your kids if something happens to both of you. You know better than anyone else what hard and soft skills that will require – they need to be people whose own lives won't blow apart by adding your kids to the mix. It's also wise to name alternates in case the people you name have a change of heart for any reason, or if something happens to them.

Then talk about who will handle the money: After you choose your guardian and your alternate, you need to build a financial plan that will support those decision makers in the best way possible. Many experts advise you to split the responsibility of handling the kids and the money. This is a personal decision, obviously, but the concept is a good one. Absorbing someone else's kids into a new family in a tragic situation is a tremendous responsibility with plenty of margin for error. For some time, it will be a full-time job. The appointment of a sharp financial trustee will allow you to allocate resources for day-to-day living expenses, education expenses and if there's money left over, for investment.

Start thinking through an estate plan: For most of us, it's going to be a challenge simply to stretch what we have to help our kids after we die. After all, when we go, there goes the weekly paycheck. For individuals who own businesses or have more substantial assets, the idea is to protect first those assets and then continue to grow them as investments. The trustee and whatever advisers you attach to this process will be key. But the first step is to get some general advice on managing the assets you can leave behind or backstopping your kids' anticipated needs with various insurance options you can put in place now.

About those insurance options: Some married couples may elect to buy insurance together within the same policy. These policies take the form of either a joint first-to-die or a joint second-to-die (survivorship) design. With first-to-die, the death benefit is paid at the death of the spouse who dies first. With second-to-die, no death benefit is paid until both spouses are deceased, and that makes them a useful estate-planning vehicle in the right situation. Ask which policy choices are right for you from a qualified agent.

Make sure you figure this a worst-case scenario into your education savings plans:

Elementary, secondary and college education costs – particularly if all are in private schools -- need to be factored into the estate picture, and a CFP® professional might be useful in getting a savings plan in place while you're alive that covers all possible events.

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