

The “Daily Plan-It™”

SHUMATE BROKERAGE CORP.

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Parenting and Estate Planning Part One: When Kids are Young

We spend a lot of time listening to parents talk about their kids. We bet you do, too! After all, what’s more germane to financial and estate planning? We thought it might be useful to share some insights that we have gathered to help you counsel your clients and to prepare them for discussions they may have during the designing phase of an estate plan.

Name a guardian

Ironically, becoming a parent may serve to *prevent* a person from doing necessary estate planning. The birth of a child creates a huge sense of responsibility. But since there’s no such thing as a perfect guardian, parents are frozen from making any decisions. This can be disastrous if something happens to the parents, because there’s nothing in place designating a successor to raise the kids. Encourage your client to *just name someone!* He can always change a guardianship nomination later. If he designates someone now, however, he won’t be stuck with an evil family member later.

Plan for incapacity

A client needs to be concerned about *how* he or she names a guardian. Normally, this is done in a will. However, what if the parent becomes disabled? What if both mom and dad are out driving, there’s a terrible automobile accident, one parent is killed, and the other becomes incapacitated? A designation of a guardian in a will has no legal effect. It’s better to have a separate guardianship nomination for appointment of a guardian in case of disability or death.

Managing the money

Your client should consider separate guardians for a child’s person and estate. We hear about people who love the child-raising style of a sibling or a family friend, but are horrified by his money management skills. The same person who’s raising the children doesn’t necessarily have to manage the child’s money.

Notify and educate the designated guardian

Before naming anybody as a guardian, get permission. One of the last things anyone would want is for a child

to arrive on his doorstep without prior warning that he’s the designated caregiver. A parent owes the same courtesy to the people whom he designates as his children’s guardians.

Once a guardian is chosen, she should be educated about your client’s personal preferences. Discuss parenting philosophy, religious training, and disciplinary preferences. She should also know the parent’s hopes, fears, dreams, and aspirations for the children.

In summation, ask your client to think about what he’d like to know if *he* were to become the guardian of someone else’s kids. He owes a favor to the potential guardians of his children to write these things down. This ensures that they’ll have some clue about what he wants if he’s not able to raise the children himself.

Part II, in our next issue, will cover estate planning when the kids are grown.

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