

# Keeping Your Estate in the Bloodline

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At Julian Gray Associates, creating innovative strategies to handle the estate planning concerns of clients is a cornerstone of my practice. One of the most common inquiries that I encounter in this area is the concern of keeping a client's estate assets within their family's bloodline upon their passing. To accomplish this, I typically recommend the use of a "Bloodline Trust" to ensure that my client's hard-earned life savings remains within the family.

While an inheritance in many cases can be considered a blessing, it can also become a gamble or worse a punishment if the proper precautions are not taken. One of the first pieces of advice that I give when a client is concerned with his/her estate remaining in the bloodline is that any inheritance should not be left outright to the heirs. When assets are left outright, they will inevitably be put into the ownership of the heirs and likely co-mingled with their own assets or even marital assets. When this occurs, the inheritance becomes susceptible to a number of possible dangers including, but not limited to: divorcing spouses, bankruptcy, creditors and financial judgments of the heir(s). This is where Bloodline Trusts become advantageous, as assets are instead left to the Bloodline Trust of the heir, which is controlled by certain rules and therefore has much more protection than an outright distribution. Not using a bloodline trust opens the door to external threats unrelated to the heirs themselves and creates a greater likelihood of estate assets diverging from the path of the family bloodline.

Because all of the inner workings and benefits of a bloodline trust cannot be described in one short article, below is a common scenario that will help illustrate the advantages of using a Bloodline Trust in your estate plan.

Scenario: Clients, Husband and Wife, have two children to whom they hope to leave their estate upon their passing. Child 1 has a spouse where clients are concerned there is an imminent separation and/or divorce, Child 2 has already filed for bankruptcy twice. Clients want to know how to best keep their estate from falling in the hands of parties other than those within their bloodline.

Without a Bloodline Trust, upon the passing of both Husband and Wife, the funds likely would pass outright and directly into the hands of their children. The consequences of this could mean that child 1's inheritance would be comingled with marital assets and therefore susceptible to a divorcing spouse's claims. Child 2's inheritance would be comingled with personal assets as well thereby making them subject to bankruptcy proceedings and creditor claims. This is not a favorable outcome for client Husband and Wife, as it means their estate is susceptible to leaving the bloodline. Had a Bloodline Trust been used, the Trust could have afforded certain protections that would have allowed the beneficiary children to enjoy, use and maintain control

of their inheritance, while keeping it protected from the issues of their various lives (Divorcing Spouse and/or Creditor Claims).

Occasionally, clients or their children are initially concerned that the usage of a Bloodline Trust may be too restrictive or limiting. However, in most instances the Bloodline Trust provides its protections while allowing the beneficiary to maintain direct control of assets, even allowing in most cases for the beneficiary to serve as his/her own Trustee. The beneficiary is able to unilaterally access and use their own trust funds for purposes that fall into categories such as: health, education, maintenance and support (HEMS). If the beneficiary requires trust funds for items or services that do not fall into a HEMS category, they may still use trust funds with the additional permission of an Independent Special Trustee appointed by the client, although this would be rare.

Another concern of the Husband and Wife clients is what happens if either of their children die before them or without having children (client's grandchildren). These issues are also addressed utilizing a Bloodline Trust so that if a client's child predeceases the parent, the deceased child's share will not go to the spouse. Instead, this share can be held in further trust for the grandchildren (including certain age restrictions). There may also be death tax savings for successive generations if the assets remain in the trust for multiple generations.

Finally, provisions can also be included in the Bloodline Trust to protect the next generations from their own disability issues, including long term care costs or substance abuse and gambling problems.

Using a Bloodline Trust allows your beneficiary children to "have their cake and eat it too." They are afforded protection of their inheritance from outside threats that they otherwise could not enjoy with an outright distribution and are able to benefit and control their inheritance. If you have questions as to how to prepare a Bloodline Trust in your estate plan, please contact us for a consultation. A Bloodline Trust is a strong yet flexible estate planning tool to help ensure that your estate remains within your family and benefits only your lineage after your passing.