

Case Study: Family Estate Planning

Learning Objective: Explain how to tailor the estate plan to address the needs of a blended family and elderly parent.

The Facts

Ralph and Alice, both age 37, married six months ago. It was a second marriage for each of them. While the couple has no children together, Ralph has two minor children (Ben and Barb, who are twins) from his first marriage who live full-time with their mother. Alice has two minor children from her first marriage, both of whom live with her and Ralph.

Alice's ex-husband has no spousal support obligations in respect of Alice since she married Ralph, although she still receives child support. Ralph is responsible for paying a total of \$1,200 a month in child support to his ex-spouse for the benefit of Ben and Barb for the next nine years.

When they married, Ralph and Alice immediately executed new wills and powers of attorney (poa) in favour of each other, with each other named as the sole executor and sole attorney of the other's estate. Their new wills and poa's have broad powers of discretion. The wills are mirror wills, providing for an outright distribution of all assets to the survivor, with each party's minor children being named as successor/alternate beneficiaries, in trust to age 30. The wills were prepared by Ralph and Alice using an internet-based wills kit.

Alice has little contact with or affinity for Ralph's twins, since they live with Ralph's ex-wife and she has painted a picture of Alice as the villain. At present, Alice earns \$120,000 a year as a city planner, while Ralph earns \$60,000 a year, on average, as a freelance writer. The couple's assets consist of the following:

Asset	Owner	Fair Market Value	Beneficiary	Other Details
House	Joint	\$300,000		Principal Residence, debt-free
Cottage	Alice	\$180,000		Debt-free
Stock Portfolio	Alice	\$212,000		
Stock Portfolio	Ralph	\$ 85,000		
RRSP	Alice	\$160,000	Ralph	
RRSP	Ralph	\$ 90,000	Alice	
Bank Account	Joint	\$ 13,000		
Life Insurance	Ralph	\$200,000 Face Amount	Alice	Life Insured is Ralph

When thinking about their estate plan, Ralph and Alice want to plan for the needs of one of Alice's children who suffered severe injuries in an automobile accident at age six and will likely be restricted as to earning power later in life as a consequence. Alice's widowed mother, meanwhile, has health problems that have restricted her ability to work, and Alice has been providing her with supplementary income payments for the past five years.

Question

Suggest six issues that should be considered and/or steps that either Ralph or Alice should take to protect the interests of his/her current and/or former families.

Reference

- *257 Advanced Estate Planning Study Guide (Chapter 3)*
- *Wealth Planning Strategies for Canadians, 2019 Edition (Chapter 5, 7, 8, 10, 13)*

INTELLECTUAL PROPERTY

All case studies used for a CLU Advanced Learning Series session are the intellectual property of Advocis and may not be copied, reproduced, republished, or distributed without Advocis' prior written consent. Advocis grants permission to the Chapter to distribute printed copies of the case study materials to participants at in-person events for the duration of the session and the Chapter agrees to collect all printed copies of the case study materials at the end of the study session (to be shredded). Advocis grants permission to the Chapter to distribute pdf copies of the case study materials to participants of virtual events and requests that the Facilitator ask participants to delete these pdfs from their computer at the end of the event. Printed copies of the textbooks will be limited to one set per chapter. Chapters requiring replacement or additional copies of the printed textbooks can purchase them via advocis.ca.