YOURS, MINE, AND OURS

The New Normal in Estate Planning

Estate Planning Techniques Using Life Insurance

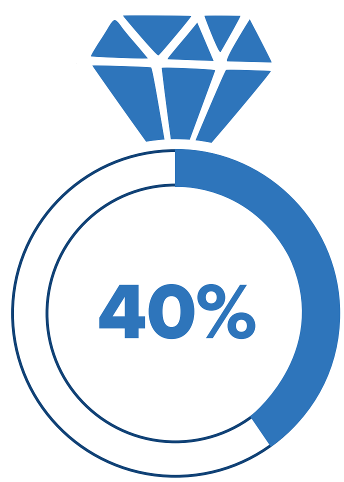
It’s a question you probably ask your clients nearly every time you meet with them: “How is your family doing?” Depending on their life’s journey, many of the families your clients belong to may be made up of a blend different than you expect.

Today, households look a lot different from the traditional nuclear families of the previous century. The new normal includes families that consist of a couple and their children from their current relationship and all previous relationships.

The New Normal

In 2023, nearly 2 out of 10 children were living in a blended family.[1]

Two-thirds of remarriages involve children from a prior marriage on at least one side, creating a blended family.[1]



Approximately 40% of first marriages in the U.S. are now blended, meaning at least one spouse has a child from a previous relationship.[2]

[1]Hays, Jake (April 2026) 5 Facts About U.S. Children Living in Blended Families. Pew Research. https://www.pewresearch.org/short-reads/2026/04/21/5-facts-about-u-s-children-living-in-blended-families/

[2]Laurent, Camille (February 2026), Blended Family Statistics, Worldmetrics. https://worldmetrics.org/blended-family-statistics/

Yours, Mine, and Ours

While blended families have become more commonplace, they are an often overlooked and frequently misunderstood market when it comes to estate planning. Traditional assumptions and approaches may fall short. In some situations, they may even work against your clients.

Pacific Life has put together this workbook covering estate planning using life insurance for blended families to help you better serve your clients in this growing demographic. We offer insights into some common inquiries and how life insurance protection might address them, including:

- Do traditional estate planning assumptions work for blended families?
- What unique financial and familial challenges do blended families face?
- How can different blended family scenarios impact legacies?
- What estate planning strategies using life insurance might help blended families?

What Do Blended Families Look Like?

Blended families come in all shapes and sizes. The phrase “blended family” is an umbrella term that covers a variety of family units blended together from other family units. The common denominator is children, whether biological, adopted, or with legal caretakers.

Blended families can take many forms, including:

- Married partners with children.
- Married partners with children from previous relationships.
- Unmarried partners with children.
- Unmarried partners with children from previous relationships.

A New Approach for the New Normal

One common mistake made in estate planning for blended families is approaching the process with the same mindset used for the historical nuclear family. When a marriage or relationship ends and children are involved, the traditional estate planning playbook typically doesn't add up. A new set of assumptions may need to be considered.

Estate Planning Assumptions: Traditional vs. Blended

Consideration	Traditional Assumption	Blended Family Reality
Marriage	Clients are married.	Clients may be married or unmarried.
Children	Children are from one marriage.	Children may be from more than one marriage or relationship.
Spouses	Spouses are significantly older than the children.	Spouses or partners may be older or closer in age to the children.
Assets	Assets initially pass to the surviving spouse for income and support.	Assets may need to pass to children before both spouses or partners die.
Estate Taxes	Minimizing estate taxes[3] is the primary concern.	The potential for inadvertent disinheritance and/or preserving family harmony is more important than minimizing estate taxes.

[3]According to the One Big Beautiful Bill Act of 2025, the federal estate, gift, and generation-skipping transfer (GST) tax exemption amounts are all $15,000,000 per person (indexed for inflation effective for tax years after 2025); the maximum estate, gift and GST tax rates are 40%

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Blended Family Challenges: Familial & Financial

Along with new assumptions, blended families face challenges unique to their financial and familial circumstances. A new way of viewing these dynamics may need to be understood.

Family Dynamics	Financial Dynamics
Blended families share common dynamics unique to their individual circumstances. Possible challenges include:	The dynamics of blended families can greatly impact financial concerns, wealth distribution, and estate outcomes. Possible issues include:
▪ Loyalty conflicts among children.	▪ Complexity of distributing family wealth fairly.
▪ Parental differences over instilling values.	▪ Unintentional disinheritance of family members.
▪ Stepchild or stepparent rejections.	▪ Favoritism when passing assets to children.
▪ Disrespect of stepchildren toward stepparent.	▪ Resentment over estate outcomes.
▪ Emotional acting out toward both parents.	▪ Lawsuits to resolve expectations among heirs.
▪ Role of stepparent in discipline and authority.	▪ Old family legacies left to new steprelatives.
▪ Stepparent and ex-spouse jealousy issues.	▪ Retirement assets upended over disputes.
▪ Custody and visitation resolutions.	▪ Fighting over the family silver.
▪ Guilt related to divorce and/or remarriage.	▪ Responsibilities of stepparents toward children.

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Four Case Studies: The Importance of Planning Ahead

Why is estate planning so crucial to clients in blended families? Here are four hypothetical case studies to showcase some of the complex and unexpected legacy scenarios blended families might face.

1. Who Owns the Family Business?

As a child, Simon dreamed of working with his father in the family's industrial supply company. While Simon was in college, his parents divorced, and his father remarried. Using his business degree, Simon became an integral part of the family business and eventually held a minority interest in the company. When Simon's father died unexpectedly, his stepmother inherited her husband's shares in the business. Overnight Simon's stepmother became his boss. While neither Simon nor his father would have chosen this scenario, the outcome might have been prevented with better estate planning.

2. Who Owns the Beachfront Home?

When Paul and Renee married, they both had children from previous marriages. He was 68 years old, and she was 52. The couple thought they were being prudent when they planned their estate on the assumption that Paul would die first. Renee had inherited a beachfront home from her parents, which the couple remodeled and enjoyed spending time there with their children. When Renee died unexpectedly, the beach house went to Paul, leaving Renee's children with nothing. Even though they thought they had planned well, Paul and Renee did not ask enough questions or look at enough angles to avoid the disappointment and anger felt by Renee's children in the aftermath.

3. Who Owns the Estate?

Bryce and Tom were in a committed relationship for more than 20 years, but never legally married. Tom had two children from a previous marriage. As a university research professor Tom was the primary breadwinner in his relationship with Bryce. When Tom died unexpectedly, not only did the couple's main income stream cease, his estate passed to his two children instead of Bryce. The state in which they lived did not recognize common law marriage. Bryce, a middle school teacher, was left unable to cover the mortgage and upkeep on the house he and Tom had shared for over two decades.

4. Who Owns the Assets?

After Ron's first marriage ended, he met and fell in love with Candace. Both had children from prior relationships. Because Candace was 19 years younger than Ron, though, she was closer in age to his children than to him. For many years they made it all work despite some friction between Ron's children and Candace. When Ron died, all of his assets passed to Candace. The minor friction began to produce sparks. Ron's children, only a few years younger than Candace, were upset at the prospect of their stepmother living long enough to spend the entire inheritance they believed was rightfully theirs. Asking the difficult questions and taking time to plan in advance may have helped alleviate the situation.

Estate Planning Strategies

Know the Blend

How can you better serve the growing demographic of blended families? Because each family will have its own set of unique circumstances, start out by having a conversation with your current and potential clients about their family makeup. Explain that you want to ask a set of questions that will help you get to know their exact blend and the potential challenge areas.

Sample Questions:

- Are all of your children from the same marriage or relationship?
- What would you like to see happen with your assets at your death?
- How will your children and/or stepchildren be impacted by your current plan?
- What might be your children's and/or stepchildren's biggest concern if you were to die?
- Who are you assuming will die first in your marriage or relationship?
- What if the reverse happens? What will happen to your plan?
- What about your current plan do you want to make sure happens?
- What about your current plan do you want to prevent from happening?
- What is the potential for conflict within the family upon the death of the first spouse?

Be sure to ask the follow-up questions that occur to you during the inquiry process. You have likely witnessed your fair share of unfortunate family estate scenarios that might have been avoided with more initial thought and preparation. Regardless of how awkward some of the questions may be, keep in mind that a little uncomfortableness in advance may mean the difference between a potential disaster and your clients' actual wishes being fulfilled.

Tough questions *now* can help avoid tough consequences *later.*

Help Clients Address the Challenges of the New Normal

Based on the answers your clients provide to the questions you ask about their individual family estate planning goals, a variety of potential dilemmas may come to light. Pacific Life offers life insurance strategies to help address many of these challenges.

Below is a list of some of the more common concerns facing blended families as well as brief descriptions of some potential strategies that may be used to address them.

Concern	Potential Strategy
Your client wants to provide for his or her current spouse or partner without disinheriting children from a prior marriage. One of the biggest concerns facing blended families is making sure everyone gets his or her fair share of the inheritance. Parents of children who have been through a divorce or had a prior spouse predecease them can become protective of the financial security they can pass on to children. At the same time, they also want to provide for the current spouse or partner.	By combining the use of a will and with a life insurance policy naming the children from the prior marriage as beneficiaries, your client can both provide for the current spouse or partner and ensure that the children from the prior marriage are not disinherited. An additional benefit is that the children won't have to wait to receive their inheritance until the death of the new spouse.


Concern	Potential Strategy
Your client wants to pass his or her interest in the business to an unmarried partner who is also a co-owner of the business while still providing for children from a prior marriage or relationship. In situations where the business will be possibly moving outside of the bloodline, it is important to plan carefully to ensure the business owner's goals are accomplished. In addition to being mindful of the family relationships involved, the plan must also provide a funding mechanism for the children's inheritance.	A cross purchase buy-sell agreement could accomplish the business continuation goal as well as address the disinheritance concern. Using a life insurance policy to fund the purchase of the business is one way to moveownership to the unmarried partner/co-owner, with the purchase price then passing to the client's heirs.
Your client wants to provide for an unmarried partner without disinheriting his or her children. The state-by-state differences in unmarried inheritance rights, the lack of an unlimited marital deduction, and the many other complications of planning for an unmarried couple add to the complexity of passing assets on to children, whether from a prior relationship or the current one.	Combining an updated will or trust with life insurance can help address this need. Life insurance can help provide financial protection and resources for the children upon the insured's death and/or help protect the surviving partner without disinheriting the children from either a prior relationship or the current one.

Concern	Potential Strategy
Your client wants to sell the family business to a child from a prior marriage while still providing for his or her current spouse. By passing the business on to a child, the potential obstacle of disinheriting the child can be avoided. However, there still need to be provisions made for the current spouse and potentially other children.	Depending on the involvement of the child and current spouse in the business, a family buy-sell or one-way buy-sell funded with life insurance could be an appropriate strategy.
Your client wants to protect his or her biological children and stepchildren from the financial impact of his or her death. In situations where an estate is difficult to divide due to illiquid assets like real estate or businesses, the fair distribution of assets between children and stepchildren can pose its own list of potential complications.	Pursuing an estate equalization strategy life insurance could be a simple and elegant solution to this dilemma.[4] This strategy is particularly useful where your client would like to pass some assets on without dividing them or liquidating them. The proceeds from a life insurance policy could help ensure that the other heirs are treated fairly.
Your client wants to encourage positive behavior in his or her children, stepchildren, and/or grandchildren. While there are many positive effects of having a sizable inheritance to pass on to succeeding generations, many clients have concerns about how it may impact their heirs. Will they quit school? Stop working? Indulge in negative behaviors? How can your client positively influence the heirs?	Using a life insurance policy to fund an incentive trust with specific provisions can be a constructive strategy to meet this concern. By encouraging positive behavior through the provisions of the trust, your client can provide inheritances for multiple heirs without worrying that these sudden increases in wealth will cause more problems than they solve.

Address the New Normal

The most important question to keep in mind throughout the blended family estate planning process is, "How can I address my clients' biggest estate concerns?" If you look at the big picture, this approach is not so different from any other estate planning scenario.

While the complexities facing blended families are certainly different from those facing historical nuclear families, the motivations are the same. Parents want to provide for their children, spouses and partners want to provide for their significant others, and business owners want a plan of succession.

Pacific Life offers a variety of estate planning strategies using life insurance to help prevent unintended consequences. Talk to your clients today about how you can help them assess their needs and make the blend a little bit sweeter.

**Blended families face enough challenges.
Poor planning shouldn't be one of them.**

[4] As with all uses of life insurance, the amount of life insurance coverage asked for in conjunction with this and all other strategies referenced in this material may be limited by Pacific Life financial underwriting guidelines. Financial underwriting is an assessment of whether the proposed death benefit is a reasonable replacement for the financial loss caused by the death of the insured. In general, policies purchased for estate equalization of financially underwritten under the estate preservation guidelines.

The Power of Pacific

Your life insurance policy is only as solid as the company behind it. When you purchase a life insurance policy from Pacific Life, you are buying a promise that we will be there for you today—and tomorrow.

For nearly 160 years, we've remained committed to providing quality products, service, and stability to meet your needs throughout your lifetime.

Pacific Life has been named one of the 2026 World's Most Ethical Companies® by the Ethisphere Institute[4], a global leader in defining and advancing the standards of ethical business practices.

[4]Based on the Ethisphere Institute's Ethics Quotient®. "World's Most Ethical Companies" and "Ethisphere" names and marks are registered trademarks of Ethisphere LLC.

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