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Episode 19: Financing Togetherness in Blended Families

Guest: Greg Pettys and David Edwards
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David: A part of what I do with clients is help them figure out what happens when they pass away. So they're definitely pulled and conflicted because of course they want to take care of their spouse but then they may have ideas too about how they want to provide for their kids.

Greg: We all are afraid of what we don't know. A lot of stepchildren do not know what their parent is going to do. They have question marks all their lives then they find it out at the reading of the will. That's the worst situation.

Ron: From the FamilyLife Podcast Network this is FamilyLife Blended®. I'm Ron Deal. This podcast brings together timeless wisdom, practical help and hope to blended families, and those who love them.

Today we're giving you a behind-the-scenes look at my newest book *The Smart Stepfamily Guide to Financial Planning*. We're going to tell you a little bit about how it got started and why it took so long to write.

But before we jump into my conversation with my coauthors Greg Pettys and David Edwards, I want you to know in the show notes we've got a little freebie for you. David has given us Ten Tips to Avoid Money Drama. You can take a look at that a little later.

Did you know that long after divorce a former spouse is entitled to a portion of your retirement and stock options? Did you know that if you die and your spouse marries again and then your spouse dies that some of your assets can end up going to *their* new spouse and *their* children not *your* children?

What do you do if the other home lets you child go on a traveling sports team and then expects you to pay for it with time and money? How many bank accounts should stepcouples have and do you put your spouse's name on the house or do you buy a totally new house? There are endless financial quandaries that blended families face.

What do you do if older half siblings got a car from the other household when they turned sixteen, do you have to buy one when your child turns sixteen just to keep it fair? On and on the questions go.

Despite all of these blended family questions there haven't been too many answers provided. That's why I'm excited to be able to talk with you today about this book. Today I'm joined by my coauthors of the new book *The Smart Stepfamily Guide to Financial Planning: Money Management Before and After You Blend a Family*.

This is the 14th resource, if my count is right, in *The Smart Stepfamily Series*. To my knowledge this is the only book of its kind to address the intersection of blended relationships and money in a thorough fashion.

My guests today are my co-authors. Greg Pettys is a financial planner with 34 years of specialized experience in securities and life insurance sales and services.

David Edwards is an estate planning and elder law attorney.

Both Greg and David speak at our FamilyLife Blended events and just last week spoke at Summit Immerse on the themes of this book. Summit Immerse is a three-hour workshop that is held at The Summit on Stepfamily Ministry.

We started our discussion by going behind the scenes, talking about how this book came about.

Okay guys, I've got a hard question for you. We've just spent what Greg, two and a half, three years working on this book project.

Greg: Yes.

Ron: It was about three years ago.

Greg: It seems like it, yes.

Ron: Twenty years ago we said, "Let's write a book together."

Greg: That was great.

Ron: That was great and sure enough seventeen years later we started into the project and now the project is finally over but I have a hard question for the two of you. You're going to hate me on this one. Here's what I want to know: I want you to explain me to me. How's that for a setup?

Okay so here's where we're going with this. Greg and I started this conversation twenty years ago. David Olsen and I wrote a book together called *The Smart Stepfamily Marriage* that was based on some really hard research of couples in blended families. The research we did told me a decade ago that money was a serious matter for blended family couples.

For example, one of the things David and I uncovered was two-thirds of all stepfamily couples have financial issues that are tied to their past, in debts and settlements and coparenting those relationships or are tied to the current family situation. We learned a decade ago that, over half, 55%, of engaged couples have no idea what their financial status or plans are going to be after the wedding.

We knew then that this was a subject that needed addressing, but here's what I need you guys to help me on. Why didn't Ron dive into this subject earlier?

Greg: I think because we have lots of ingredients in the kitchen. [Ron laughs] The chef has his support team. It truly is like cooking, I think.

Ron: You're right. I didn't know how to cook that.

Greg: Well, we have another chef from another field, another country so to speak.

Ron: Exactly.

Greg: With another expertise.

Ron: That's exactly the way this project ended up. The three of us got together, pulled together what we offer best and we pooled our collective wisdom and said, "Let's try to write something that's very practical and usable for people." I think money is intimidating.

Greg: I'll agree, it's very emotional. It has roots.

Ron: David, you deal with people all the time around financial planning, estate planning. Do you find that there's hesitations in people when it comes to addressing this subject?

David: Yes, I definitely see that. A lot of times when people come into our law office and they're talking about doing planning a lot of times they'll say, "Oh, we should have done this years ago. Why didn't we do it years ago?" This seems to be an epidemic of people that they put it off and they sort of feel a little guilty about it but then they still put it off until finally something tips and they're ready to do that.

Ron: I think my experience in being a stepfamily educator and trainer and still be intimidated by this subject mirrors the person listening to us right now. The average person who goes, "You know it's just complicated. It's hard. I don't know how to—I don't understand all that stuff about financial planning." Or, "I'm afraid if we bring this up somebody's going to get their feelings hurt.

Greg: To David's point I hope that people that hear this and then read the material will be encouraged. It's never too late. You can always take steps no matter what stage you're in to make some progress. It's a journey that we're all on some have traveled in a more straight line and maybe they've gotten to where they've been quicker but it's never too late to get started.

You can make some minor changes today that will make huge impacts ten years, twenty years from now, no matter how old you are. Changing beneficiary designations and aligning all of your dispositive goals. Those can be done with a phone call, a form can be filled out, a meeting or two with an attorney. It can go a huge distance.

Ron: Okay so I want to introduce our listener right now to a concept we talk about in this book and that's the above-the-surface matters, and the below-the-surface matters. I think just gave, Greg, an above-the-surface matter.

When it comes to money management, you can make some changes right now no matter how old you are, whether or not you should have done it earlier or not that's irrelevant. You could start today and make a difference and you can make some decisions that will have some financial payoff in the future.

But there's also this thing about the below-the-surface matters that we're also intimidated about when it comes to money. "If I bring this up, boy my wife or my husband just might get mad." David, do you see that? Have you experienced that with clients?

David: Right. Especially in the blended family situation because I think people are pulled in two different directions. I mean part of what I do with clients is help them figure out what happens when they pass away.

Ron: Yes.

David: So they're definitely pulled and conflicted because of course they want to take care of their spouse. But then they may have Ideas, too, about how they want to provide for their kids. They don't know how to balance that out without some guidance a lot of times.

Greg: I like the way that you've merged the relational dynamic, Ron, with your experience with our default to go to the documents and go to the decision making the above ground. It's easy, I think to go to the above ground.

Ron: Yes.

Greg: But where we live and the bigger issues is the relational impact, "Do you believe in me? Do you accept me? Is the trust level high? Can I expect commitment from the heart zone and not just an intellectual agreement from the above ground?"

Ron: That's absolutely. From our experience what often gets in the way of the above-the-surface money decisions is the below-the-surface emotional, relational dynamics that are related, sometimes, to the blended family but sometimes it's just marriage or whatever but that complicates our ability to even talk about and make decisions.

Greg: So a couple like Sandy and David. Sandy and David are in their 40s. Sandy has a couple of boys early twentys, actually 18 and 21. They've been married a few years and David's saying, "Hey it's time we changed our wills. Let's start with you, Sandy. I need to be the primary beneficiary of your will."

Well that's easy for Dave. He doesn't have any children from a previous marriage. Sandy's thinking, "You know what, I trust you but will my boys even want to get help from you Dave? I don't know. They're kind of independent."

So she's thinking loyalty, question mark. David is saying, "Hey, I'm your husband."

Ron: "Aren't you completely loyal to me?"

Greg: "Aren't I the primary guy?" The term primary and contingent bring emotions.

Ron: So his discussion about changing the names on the will is about, "I'm primary in your heart, correct Honey?" And she shows some hesitation. She says, "Well I'm mindful of my kids and I want to provide for them."

Really what's she's saying is, "I'm not sure I trust that my kids and you will have equal care for one another if I am hit by a bus, and all of a sudden -- your relationship is one thing but I'm not so sure I trust it to be what it needs to be so maybe I need to include my boys in the will and not you."

All of a sudden he's having an emotional reaction to, "Well, now I'm not primary. Is this a statement on how much you love me?"

Here's the thing I want the listener to hear. There are financial tools to help you with both the above-the-surface matters but you have to be attending to the below-the-surface matters recognizing that there is an emotional dynamic going on in the midst of this financial conversation.

If we don't hit both of them then we're not going to find a good answer. Always, always, always--guys would you agree with me?--that the below-the-surface, emotional matters, relational dynamics will sabotage your ability to have above-the-surface good conversations. Do you think that's true?

David: I would say that's definitely true. Even on the legal side a lot of times the emotions are what drive people's planning, I mean they -- we can talk about saving taxes, but people get more excited talking about providing for their kids or their spouse. It's the emotions that can either can get us stuck or help us move forward as we deal with those.

Ron: Let's deal with that below-the-surface question that Dave, I think is his name, that you were pointing out. He's asking, "Am I primary in my wife's heart?" At the same time she's asking that below-the-surface question of, "How do I care for my children and do that responsibly and how do I care for my husband and do that responsibly?"

Seems to me they're both trying to figure out how to honor other people. Is it possible that she does not put Dave's name as the primary beneficiary on her will and that that's not a statement of whether or not she really loves him or whether her allegiance to him is number one?

David: He feels like it is, but if he could get past that -- From the planning side I always think about how we can accomplish both things, in terms of providing for them. Now how he perceives it that's something I guess he's going to have to sort out.

How can we provide for both of them? Which sometimes that means maybe they get some more life insurance or something. How do we even expand the pot that's sometimes a simple way. Maybe she gets life insurance to give to the kids but then maybe a lot of the other of the assets go to the husband.

Greg: I was going to say--

David: Does that get us past that stuck point?

Greg: There's some great equalizers that you can use that take some of the angst out of merging money in marriage and one of those is the life insurance. Trusts of various types can also do it, too.

Ron: So there are tools that you can get to that will help you deal with this but it seems to me if you can't give voice to your concern for other people in your family and in your life, if you can't hear one another well as, in this case, husband and wife, or maybe it's you're the son or daughter and your aging parent is now getting married at the age of 75 or something, if you can't calmly give voice to your relational concerns, then you're not ever going to be able to address that on a practical level from a financial standpoint.

Greg: I think this is where the Togetherness Agreement that we write so much about is so important. It requires full discovery. It requires us to address the above but also the underlying emotions.

When I had mine written it required a full disclosure of not just assets but also feelings about my six children, about my wife. While it's been a real eye-opener for me, it's helped me in so many ways. My Togetherness Agreement has really solidified the commitment and removed some of the emotion, I'd say, a lot of, the emotion around some issues.

Ron: Let's pull back and just keep going with that. What is a Togetherness Agreement? David would you just give a recap of what that idea is and how we want to recommend it to couples.

David: I think the first idea is if we have things in writing just generally in life that's a good thing. If you hire someone to put a roof on your house or put an addition on your garage or whatever having it in writing is a good thing because then people's expectations are clear. People aren't assuming one thing or assuming another thing. So that's the first concept.

But then the other issue as you look back in legal options with spouses, one legal option over the years has been the prenup. The prenuptial agreement which a lot of this we don't like the concept of that if it's protecting from a divorce because we want to see people married forever and all of that.

Ron: Right.

David: But the prenup is a contract that's where people are making promises and commitments to each other. So as we were working on this book and this project we were talking about how can we make this into something positive to have the promises and commitments to each other?

How do we take the positives of the prenup, so to speak, but then have it be the focus that we want that is pro-marriage? Really it started back, Greg had this idea. How many years ago was it that you began to think about this concept?

Greg: About ten years ago and I was in a meeting with other Christian leaders and they called on me to say, "Hey, what do you think about prenups? I said, "Well I don't like the premise, 'When I divorce you, here's what you're not going to get.'"

Ron: [Laughs] That just sounds really bad when you say it out loud.

Greg: But we know that there needs to be clarity. There needs to be boundaries in remarriages. There needs to be rights, responsibilities, and roles that are clearly demarcated.

What we did is we took that prenup, turned it upside down, shook the bitterness out of it and then we've said, "Here's what I am going to do for you. No, no you're not going to get my company, my boys are going to get that from the previous marriage but what I will do is set up an irrevocable trust and put a million dollars of life insurance in there for you and your children."

Ron: And you're provided for and cared for.

Greg: Exactly.

Ron: You know what to expect. I know what to expect. Everybody feels cared for.

Greg: No, though you promised your mother she could live with you before we were married, what we'll do is let's purchase a long-term care insurance policy, let her live with us as long as she has to but let's find other resources. So all these emotions issues are outlined in the map that takes everything into consideration.

Ron: Let me recap for our listener, what we've done in this book *The Smart Stepfamily Guide to Financial Planning* is we have given you practical tools and ideas to understand financial planning, estate planning.

We can get into some of those details here in just a minute, some examples, but we've created a way for you to think about approaching your finances so that it does not divide. So that it does not create instability in relationships. But it does the opposite. It helps you merge not only your finances but your family.

I love the statement -- if I could just quote from the three of us, if I could do that -- I love in the book we say this, "A prenuptial agreement is done to your spouse, by those who want to protect themselves in a divorce."

That's true. That's essentially what's happening there. But a Togetherness Agreement is done for your spouse. Better yet when it's created with your spouse both persons make mutual promises on behalf of the other, and one another's kids I would add, that lay a positive foundation for your life together.

What we want to do is help you, we like to play with the words, we want to help you finance togetherness. But it takes some honest and genuine conversation. Both about what's going on with you emotionally and relationally and what's going on with your financial situation: your debts, your income, your outgo, your plans for the future, the concerns you have about retirement and so on.

It takes all of that together, but if you do this as a couple at the end of the day, here's what's really cool about it is you not only develop--well you might create a trust for money or possessions that someday will go into and be distributed to other people, but you also, we think/we believe/we've seen it happen, create relational trust.

Greg: If I'm working on building something which we are in our merged families, I need a blueprint. I need to know where did the electric go in, so to speak, and where do I put the drywall? Where's the lighting system? It helps the attorney you're working with. It helps the financial advisors that you're working with.

It helps everyone on your team to have an overarching blueprint so to speak where they can look at that document and they can say, "Oh so that's why you did the trust, so that's how you feel about changing beneficiary structure?"

Ron: So it's not just even about the two of you, it's also about informing family but also other people that are invested.

Greg: Ron, if I could just tell a quick story?

Ron: Yes.

Greg: I was sitting with a couple down in Springfield, Missouri, he was 80 years old, second marriage. She was 69, very successful business and great Christian couple. They had four children and seven grandchildren about half of whom worked in the business and about half that didn't.

We sat down and we asked him to share his vision, his goals and she was there. She was very quiet. I think she was recording it in her mind because she had never heard him share these things. Then I said, "So which of your children are in the business?" He gave me a list and then he said, "Oh yeah my grandson and my granddaughter, well her grandson works here sometimes and then her son is doing very well here, too."

So there's this huge mix and I said, "So where are your documents? Where's the blueprint?" "Well we had a will done about ten years ago," this guy was worth millions. He's a great Christian man. He wrote a nice book about his experience. But the point is nobody in the family knew what was going to happen. The grandchildren just trusted the grandfather, the step granddaughter didn't know what she was going to get. Even his wife wasn't sure who were her allies in the business.

So we got together and we got all the team together, didn't just draft the document saying the trust here and the beneficiaries there, but we actually had them do a concept of Togetherness Agreement where the feelings were underlined. Why did we do this? In a very positive way. It was such a rewarding experience.

Ron: They come out of it with assurances.

Greg: You could feel -- There were 17 people in that second meeting, you could just feel the room light up. You could see positive feelings about, "Wow, that's why Grandpa did that, he loves me. He didn't cut me out," says the daughter who's not in the business. "He's doing that for me." Yes.

Ron: So as you're talking I'm realizing that part of what's going on here for people is there are preconceived ideas about how it should be. If we're talking about Sandra and Dave where we started, he feels like, "Boy, husbands and wives should just put each other as primary beneficiary on their life insurance period, end of story, that's the way it should be."

This family, I didn't realize that somebody else has more vested interest in the family business than I do. But there's other ways of providing and showing care for me that doesn't involve me getting a cut of the business. So part of what you're saying is the process not only creates financial assurances but it invites people to fully understand how they're valued within their family.

Greg: Yes.

Ron: And how that's going to be taken care of practically.

Greg: We all are afraid of what we don't know. A lot of stepchildren do not know what their parent is going to do. They have question marks all their lives then they find it out at the reading of the will. That's the worst situation.

Ron: That reminds me we were talking earlier, David let me just share this with you and I'm curious what your experience is as an estate attorney who really specializes with that.

I read an article in Forbes about a law firm who did a little internal research and they discovered that half of the cases they go to court over is where somebody is disputing a probate, a will, a trust decision that's been made that half of those situations are between stepmothers and stepchildren.

That there is that the two sides who don't quite know how to relate to one another and don't know quite how to trust the financial situation at hand who end up on opposite sides at war. I'm just curious, is that something you've seen and experienced in your practice.

David: Yes definitely it's something that there's just a lot of emotions in particularly when people maybe got remarried and they were already retired or something and so their kids never had a chance to bond with the stepparent so there's not that closeness.

I think a lot of those messes come about because let's say the dad using that example he didn't clearly put his wishes in writing. He didn't make it legal. Maybe he told the wife, "You'll be provided for you won't have to worry about anything." Then he told the kids, "I'm going to leave some things to you or whatever." But they both had in their mind what that's going to look like, but then it wasn't clear legally and their pictures were a lot different.

I think of one family I worked with here a number of years ago where they had actually had a very close family, the kids, the stepkids, they'd been married I think 25 years. The whole family was actually very cohesive but sadly when the husband died he did not have his plan in order and it was one of those things where the kids, the stepkids, the wife they all had different ideas of what should happen.

Sadly after twenty-five years of a very close family they never talked again. The stepmom and the stepkids never talked again after being in court of a year or two.

Ron: Oh my goodness.

David: On the legal part. So it's a sad situation. There's a lot at stake with estate planning. Money is only part of it, the relationships are another part of it. Where you say okay there's a broken relationship and it's traced back to a plan that didn't work right.

Ron: It's always about both, merging your family and your money.

Greg: David, sometimes when we throw out these terms, estate planning, trust work and successful businesses sometimes I think our listeners get the mistaken idea that, "Oh they're talking about wealth, and a lot of legacies and large estates," not the case.

I really like our chapter on computers, cars, and cash because it's practical and it's where we can all relate. How do we handle everyday things in the merging of money with blended family?

Ron: Let's turn the corner and talk about that because we do in this book go very high level to talk about relational matters as they influence money. We do have a section that talks about estate planning, retirement planning but we also have the practicalities of merging money on a day-to-day basis.

So let me -- let's just jump into that for a minute. How many pots of money should couples have? So a blended family walks in the door, maybe they're dating, they're planning to get married and they're beginning to think, how are we going to merge this? Or maybe they've been married three or four years and they've just been living off a system they inherited before the wedding.

They're thinking, "How many should we have?" His pot? Her pot? Our pot? What's the right way to do this? Do you guys have a response?

David: Ron, I can give you an example of a client that we worked with recently. It was a couple. They were retired, I think one was widowed and the other had been divorced but they were getting married so they were thinking about, "How are we going to deal with our money?"

In that situation they actually had a very different financial situation. The husband was very secure, he had a pension, some investments, some farm land, things like that. The wife had much more modest assets, social security income.

So in their case, they're actually going to keep three pots of money, meaning the husband is going to keep his investments and farm land and all that separate from the wife. They're going to create a middle pot, the third pot to pay the bills monthly and take care of things that they need. But because of the husband, because of his more financial security he's going to put all the money in that third pot. So he's covering all the day to day bills but he's going to put it in an account that she can get to and he can get to.

Then also he's going to provide for her if something happens to him he's going to leave her some assets so she can continue to live in the house going forward. That's how one of our clients recently handled it in the situation.

Ron: So let me just point out to our listener, this is not the right way. I was basically asking a setup question when I asked you guys.

Greg: Ron, when I think about the one pot, two pot, three pot, how many are right? Well I think about the keys I carry. Some of these keys are just because I need that. I need the key to start my car. My wife has a separate key to open the door and start her car. But then we share the house key. Then there are other keys I don't even know why I have them on here. [All laughing]

I think that money is like a key, it opens a door. It gets something done. Sometimes that pot of money is because that's my business or her business. Yes, I think she should have the sole key to her business money but there should be transparency.

So I think one of the things we address is the need for transparency and no matter how many pots you have to not have any secret pots.

Ron: Yes. One of the things that I think we're getting at is we're always going to below-the-surface issue. You guys know that about me right?

Greg: That's good, I'm glad. We'll take that chef.

Ron: This is my world. The below-the-surface emotional question that's being asked with one pot, two pot, three pot questions is, "Wait a minute, if we don't have all our money in one pot and somehow we're not one. Somehow we're not unified. We're not doing what God expects of married couples to do. We haven't obtained oneness if we don't all walk around with the same set of keys."

There's something there to be explored but I think the larger question is, "What's the insecurity in me that doesn't feel comfortable not having one pot?" What are the questions?

You know I think what I'm really asking is, "Do you love me? Are you really committed to me? Are you really going to be there for me tomorrow because you know I've lived through some stuff with some other people in my world who were not reliable? Who were not dependable and I find that I have doubt about the people that I love. I'm not quite so sure I want to invest all of me in you. If you're not sure/positive that you're investing all of you into me," and everything then becomes a test of ultimate commitment.

For that person there's not going to be any system that will be acceptable other than one pot of money. I would invite you to go, functionally there are many ways to make this thing work in your family.

What's most important is that you pull back and wrestle with that insecurity in you because let me tell you what'll happen. Even if you got your spouse, cajoled them, manipulated, whatever word you want to use, made them put all the money into one pot and they went along with it you still would not find safety and security in that arrangement. You will continue to feel insecure that's not going away.

Greg: I think you're right.

Ron: So until you deal with that you're never going to find a system of money management that works for you.

Greg: What happens, Ron, what happens if someone feels that way? What's the cure?

Ron: They have to dive deep. They have to look at themselves in the mirror and they have to say, "Why am I insecure? What's the fear going on inside me?" Often they'll trace it back to something in life, family of origin, or maybe the previous marriage. Maybe they're wrestling with a former spouse who continually wreaks havoc in their life and there's just a lot of instability in their relationships.

So I don't know how to not expect that here from us. The past enters the present. You have to begin to challenge yourself to say, "Am I going to continue to live in pain and fear or how am I going to find my way around that so I can trust you and trust us?"

Greg: I like the way that the first chapter talks about taking stock. Taking stock about your values first then what do you owe, all the assets, take stock.

Ron: And in this case we're talking about taking stock of me.

Greg: The hardest inventory--

Ron: That's right.

Greg: --is the secret chambers of my heart.

Ron: That's exactly right. Money will reveal these secret chambers.

Greg: I was working with a lottery winner in southern Indiana. I met with him a couple times. I said, "So let me make sure I understand. For the planning that we're going to do, are you currently planning on marrying your girlfriend?" He looked at me like, *that's not your business*. I said, "Well you could have a two-patterened credit sheltered trust arrangement and you would save some money since he got about 29 million."

He said, “Don’t ever say that word ‘marriage’ around me again.” The fear. He said, “What I’m going to do--”he was very illogical--”is I’m going to gift my girlfriend half of my lottery right up front here now. I know if I married her she would leave me. She’d take my money and leave me so why not do it now?”

I was like “Oh my…”

[Laughter]

Ron: It’s amazing what fear will make us think.

Greg: Exactly.

Ron: Fear is irrational and it leads to irrational conclusions. Money is often a good place where that flushes out.

Okay so let’s talk about some other day-to-day three pots of money there’s different ways of doing it. I think where we need to leave this for our listener is there is no one right answer that we give everybody listening right now.

The point is you have a conversation with each other and we really believe the three of us believe that some couples can do this without anybody’s help. Sometimes you need a little financial planner or an advisor, or somebody to come alongside you and I do have to say that both of you guys live in this world and that’s your business.

David has made himself available as a consultant to people who are trying to work toward a Togetherness Agreement. You can go into the show notes and discover how you can get in touch with him personally if that’s something you want to do.

Some of you will say, “Well I already have a financial planner, do they know what a Togetherness Agreement is?” Well they probably don’t. But you know what, here’s the cool thing you can take a copy of this book and say, “Here read this chapter,” and they’re going to be up to speed real fast and they’re going to be an asset to you just immediately in the future.

Greg: A lot of times people say, “Greg should I hire an attorney that’s charging $400 and hour and then bring in the CPAs and all the planners and all -- how many people do I need on my team?”

My reply is, “Well, it depends on the purpose of the meal that you’re preparing and how many people are coming.” Are you just wanting to verify something that you’re going to do a project, a snack so to speak? You’re going to pop that in the microwave, you might be able to do some things just by yourself. A do-it-yourself plan.

But if I'm going to have a seven-course meal, and I'm going to have several guests--several families over--I want to have experts in the kitchen, as many of them as I need.

Ron: Let me jump around a little bit. Let's hit some money topics and see where it takes us. Debt snowball. Is there anything that might be different for a blended family situation to implement the debt snowball strategy than with a first time married family situation? I'm going to toss that to one of you guys and start with just describing what the debt snowball idea is.

Greg: I'll tee it up David, then hand it to you. It's a great concept, we're one hundred percent concur with it. Take the smallest debt that you've got, pay that off as soon as you can, the amount that you were paying on that debt then becomes free cash flow to take the next sized debt.

Ron: Oh you mean, I don't go buy a car with that money?

Greg: Not yet.

Ron: Okay, okay.

Greg: Not yet, it's coming.

Ron: All right.

Greg: So each debt melts under the cooperative work of a blended couple and in that structure we don't even think about whose debt was that? Let's see was that your credit card that I was--? Isn't that the third debt we've used of your pile? How about mine? So to David, what would we suggest we could add to the standard debt snowball concept that would help blended families?

David: Well I think this is where the below-the-surface issues are so huge because what if you have one spouse that comes into the marriage with no debt maybe some savings. The other spouse brings in a lot of debt so there's a discrepancy there. But then maybe one spouse is paying a lot of child support. Maybe if they weren't paying so much child support they could pay their own debts off.

So there's a lot of thoughts and emotions surrounding that. I think ideally is they move forward; they work together to get their debt paid off and get on a firm financial footing. Actually, Ron, I think this is more the -- your under-the-surface, this is your domain. What are your thoughts on it, to bring it back to you again?

Ron: I do think you're going to have to give voice to the concerns around it. You're going to have to give voice to, "Well this was your debt not mine, to what degree do I carry the load for that?" By the way marriage does mean we marry one another's past, whether that be a financial past and debt, whether that be a relational past and debt.

You marry somebody with a really difficult ex-spouse you are marrying that former spouse.

A lot of people push back on that idea with me and say, “No, no, no, I never chose them.” I get it. But you chose the person who formerly chose them so it’s part of your life now. That comes with commitment. You’re going to have to take on some things that you didn’t necessarily want to take on.

But give voice to all this with one another in genuineness and look at the total financial picture. It may be that you decide that we don’t necessarily do the debt snowball thing exactly the way it’s usually -- we don’t take the smallest one, then we don’t pool that money onto the next smallest one, then pool all that money onto the next smallest one.

It might be that we need to deal with one of our debts at the same time we’re dealing with the snowballing on the other debts. There may be a reason that makes sense.

Greg: Because that debt, in particular, is tied to an emotionally charged disaster from the past?

Ron: Exactly. It could be that if we don’t deal with that as it relates to a former spouse we’re going to have more trouble, more financial problems. We’re going to find ourselves back in court again for whatever the reason is.

Greg: If we can just get that medium-sized debt out of the way then no more conflict with the ex-spouse.

Ron: There you go. Right. So again, there’s a reason why you might make a different decision while still pulling on the general principle of the debt snowball.

David: Talking about debts. It makes me think of another issue more of debts or maybe things we brought in or things from the past but then there are future things that come up which one of the big things is college.

I had a client here recently that I was talking with and each spouse had several kids of different ages, some of them were out of college, some of them were in high school, some of them were in college.

The wife when her other older kids went through college because she was a single mom, had limited income, they got a lot of grants and scholarships and all kinds of things like that, but then once she got married and now she has another child getting ready to go to college all of a sudden that’s a big difference. They’re not getting the grants and the scholarships as the older ones did because their household income is bigger.

That’s kind of a related issue, which can be challenging how do we deal with that? How do we pay for college? I know, Greg, you've done a lot of thinking about a lot of these issues, what are your thoughts on that?

Greg: Well having had six of my own and each of them has a various let’s say plan destiny that requires unique fanning of the flame of the gifting. I think communication with parents as early as possible certainly by the time they’re a freshman in high school you can begin to see their talents, their gifts, they're set of genius qualities that you need to fan even if that doesn't mean the four-year traditional college avenue.

There’s some great things your child would do in the trades or in a junior college, a local community college, even military. Great opportunities in the military. We shouldn’t just assume they want to go to an Ivy League school like maybe Grandma did or Grandpa.

So we talk about listening and as early as the freshman year being organized and getting a file system going, having these years while they’re developing and they’re having awards and talents that are being rewarded and recognized. Keeping a filing system of these areas so that then we can glean on that when we start making applications.

Ron: We’ve got a whole chapter on this one subject in the book. Let’s just hit one thing that was really fascinating to me to learn about the FAFSA.

Greg: Yes.

Ron: FAFSA is that thing that determines whether or not you qualify for certain loans and it’s calculated differently when it comes to blended families.

Greg: Certainly.

Ron: There’s a nuance there that’s different than the IRS calculates your tax, what is that?

Greg: Well this free application for federal student aid they are considering the custodial parent the parent that had the child literally the most calendar days of the year not legal custody.

Ron: Has nothing to do with that the divorce decree says.

Greg: In fact, if a stepparent has signed a prenup FAFSA says, “No, we want to know all about their resources and income even though they’ve got the prenup. We don’t honor the prenup as a reason not to make a disclosure of resources.”

So we've talked about a couple that let's say combined has a very nice income let's say they're physicians and the other couple is let's say blue-collar, hard-working American family.

Well we could have the child live with the modest means family for 184 days and have the child in the joint custody situation, legal joint custody, live a couple days less in the year prior to the year that you file FAFSA.

Ron: So about a year and a half, or two years before, okay.

Greg: The couple of modest means becomes the couple that is looked at for what's called the Expected Family Contribution (EFC). The lower the government's view of the expected family contribution, the higher the opportunity for grants and scholarships.

Ron: The bottom line there is with a little strategic planning between households and that requires the other household to sit down at the table and have a conversation around this, but a little strategic planning on behalf of the child can go a long way to them being able to get support financially to go to the college program they want to go to.

Greg: Exactly. We talk about assets that are not counted on the FAFSA record. We talk about some possible strategies that can be used.

Ron: We just went down into the weeds for a minute there for the listener who really cares about college. Here's what I want you to hear: there's so much more packed into this book that's in the weeds stuff that you need to know. We're not going to take time to discuss now but would be helpful and advantageous.

You've been listening to my conversation with Greg Pettys and David Edwards about our new book *The Smart Stepfamily Guide to Financial Planning*.

I'm Ron Deal and this is FamilyLife Blended.

Lots of people ask, "When you get married again do you buy a new house, do you put your new spouse's name on the old house, like how to do you handle that?" We're going to hear from David Edwards about that very question in just a minute.

But before we do that let me ask you to do me a favor right now. Would you rate this podcast on your app? Just go ahead and if you liked it give it five stars if it was helpful to you. Write a quick review. That helps other people find the podcast.

Did you notice in our conversation that a few times when presented with a general question Greg and David said, "Well Ron it depends."? Knowing what the right financial answer is for your family depends. It depends on your current circumstances, your debt, your income, your financial commitments and all the blended family dynamics that surround all of this.

There's no cookie cutter solution to every financial question. That's why the process of creating a Togetherness Agreement is so important. You have to talk. You've got to process, share, discuss, listen to one another, sometimes seek counsel and advice from someone else, all so you can get the best response to your financial questions and family circumstances.

The process of discovery and collaboration is really what makes the TA [Togetherness Agreement] so valuable. You just can't short circuit that process. It takes a little time and some effort. Let me encourage you today start your process if you haven't already and if you have then keep going. Don't quit. Don't let the process bog you down.

If you'd like more information about our guests or the book *The Smart Stepfamily Guide to Financial Planning*, you'll find it in our show notes. You can also check it out on the FamilyLife Blended page at FamilyLife.com/podcasts.

We do appreciate your feedback, we appreciate reviews and ratings. All of that helps other people find the podcast. If you haven't subscribed you can do so on Apple podcast, Stitcher, or wherever you download your podcasts just search FamilyLife Blended with Ron Deal.

Remember to look at the show notes for additional resources. And if you like what you hear, help us spread the word you can post something on social media that helps other people find us as well. We appreciate that.

FamilyLife Blended is committed to serving you by providing excellent resources. I've told you about the 10th Anniversary edition of my video curriculum *The Smart Stepfamily*, there are other book resources that are new as well. Lauren Reitsema's book, *In Their Shoes: Helping Parents Better Understand and Connect With Children of Divorce* came out in October.

Watch for a new book that I've coauthored with Dr. Gary Chapman. It's called *Building Love Together in Blended Families*. That book comes out in February of 2020. These and many more resources are always available at FamilyLife.com and wherever you buy your books and resources.

Now if you just missed our Summit on Stepfamily Ministry in October, I want you to know you still can access the presentations from that. Just go to shop.FamilyLife.com and check it out in the show notes, we'll tell you how to get there.

Learn about the All-Access Digital Pass. So that's the Summit on Stepfamily Ministry All-Access Digital Pass.

Now before we finish, I asked David Edwards, “What do you do when you get married? Do you buy a new house as a blended family? Do you merge people into the other home? Do you put your new spouse’s name on your house? How do you handle that?” Here’s what he said:

David: There’s certainly the below-the-surface issues, does the wife want to live in the house where the ex-wife lived? But then there’s also how we’re going to pay for the house? Maybe does one spouse, well maybe both spouses have enough savings in cash that they can just each pay half the house and pay cash for it. That’s great.

That’s not necessarily the common situation. They may need to get a mortgage. Who’s going to pay how much of the mortgage? A lot of times how you pay for it then leads into how the house is owned. If one spouse has a lot more means and savings and they’re just going to pay cash for the house they might want to make sure that that house eventually goes to their kids after they’re both done with it.

Ron: Is there a way to arrange even if you die for your spouse to live in a house and then your kids to get it?

David: Yes, there’s a lot of legal strategies that help us balance out that issue of I want to provide for my spouse but I also want to provide for my kids. A common one that we deal with a lot is the house so somebody says, “Okay, I’ve got a house, my spouse is living with me in this house. If I’m gone I don’t want them to get kicked out.”

Ron: Right.

David: That would be horrible for everybody so we have some legal instructions that say, “Okay if I’m gone my spouse gets to live in that house as long as they want to or maybe they can even sell the house and downsize or move closer to the kids and use that same money to buy a different house. But once they’re done with any houses, they pass away or whatever then the money could go to the side of the family that we want it to go to.”

Because the alternative without planning -- I have seen situations where somebody, let’s say the husband owned the house, he died, there was no provision for anything, so his kids come in and say, “Okay well Stepmom, you got to get out by next week. The house is getting sold. I’m the--” The son’s the executor or whatever. She’s out.

So some of these tools where we can balance out the timing. The timing can be a big issue on the houses or even with money if we say, “Okay the spouse is going to get income for so long and then when it’s gone it goes to my kids.” That can often get the logjam broken through with planning. We can strike a balance in between.

Ron: So many layers to that question. Again not always one right answer. A home is part of your financial picture. It’s one asset, right. It needs to be considered in light of all the other things that are happening. In light of income, who's already got a 401K? Who hasn't even started? It needs to be part of the total financial picture in terms of how then you make decisions about how you move forward.

So David maybe you've got a house, do you put both names of the spouses on the house? If one already owns the home do you have to change something to invite the other person on or is that something you don't have to do?

David: Well one of the big issues, is do you want the spouse to have that house after you're gone just free and clear? If so, then the spouses could be joint owners.

Ron: Okay.

David: Joint tenancy with survivorship, which means whoever lives longer gets the house. If that's truly the intention then that's fine. But if the intention is that the house goes to one side of the family or maybe half the house goes to each side of the family then joint tenancy with survivorship is not going to work out because it's all going to end up on one side.

Ron: Okay so there's a different term? Legal term for that?

David: If we want it to truly be a 50/50 that would be a tenants in common--

Ron: Okay.

David: --concept where the husband could leave his half of the house to someone and the wife could leave their half of the house to someone else after they pass away.

Ron: If you're like me and you're listening to this and you're going, "I'm dizzy, right now, I'm thinking I cannot remember all this. I'll never keep this straight." Okay, yes, the good news is you don't have to.

A.) We've put it down in print to try to help with that process, right, so you can access the book and use it as a tool and,

B.) If you feel the need to then consult with somebody who does understand this who can offer guidance that is a significant step.

We believe some people really can sit down husband and wife and essentially have the honest conversation and draft their Togetherness Agreement just between the two of them. We think the tools we've provided in this book, they're going to be able to do that.

Other people will just intuitively know we need somebody else to help us guide this process. It's going to be too complicated we don't understand all the legal mumbo-jumbo. We don't know all the financial tools available to use and we just need somebody to coach us along the process. In that case it would be wise of them to reach out to a certified financial planner or an estate attorney.

Again I'll just repeat that David and his group are available for consultation, not necessarily all the legal work depending on what state you live in all that kind of stuff matters but you can reach out to them. You can look in the show notes for that.

We have not had time, guys, to talk about the myriad of subjects: social security and the details around later life marriages that I learned so much from you guys in writing this book.

Coparenting, we haven't talked about dealing with former spouses and when their idea of money is different than your idea of money maybe someday we will do another program on that subject because that's a big one but we do talk about it in the book.

We talk about boomerang kids, adult children who come back into the home and they're disagreement about how you provide for them and what they're responsibilities are. We do discuss a myriad of situations that impact blended families in this resource. I've got to tell you twenty years ago, Greg, when you and I had dinner one night and you know we had this little spark. It was kind of like, you know, maybe we ought to put our heads together and write a book together someday.

Greg: That was a great vision and I'm so glad that it came to fruition.

Ron: It was wonderful. You ended up contributing to a later edition of *The Smart Stepfamily* book that I wrote, a revised edition. The chapter on money you contributed to that. Ultimately it's all lead to this entire resource that is so so unique. I really am proud of the project, not because of what I offer [laughs] but because of what David, you, and Greg, you, brought to the table.

Greg: To the below-the-ground issue we've all become much closer friends. That's great.

Ron: Absolutely. Thanks for being with me.

Greg: Thanks Ron.

David: Thank you.

Ron: Next time my good friends Jeff and Judy Parzielle, will be helping seriously dating and engaged couples prepare for blending their families. Knowing who you are in Christ is part of that process.

Judy: This is where I think the American delusion is, we're so wrapped up in how we look, what people think, whether we're rejected, any of those things that at the drop of a hat we could lose our sense of worth.

Ron: That's stepfamily experts Drs. Jeff and Judy Parzielle next time on FamilyLife Blended.

I'm Ron Deal, thanks for listening. Thanks to our FamilyLife Legacy Partners for making this podcast possible. Our chief audio engineer is Keith Lynch. Bruce Goff, our producer. Our mastering engineer is Justin Adams. And theme music provided by Braden Deal.

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