

## Stepfamily Day: What Does *Step* Mean to Your Clients?

Happy National Stepfamily Day to those who celebrate it! Amid shifts in modern family structures and demographics, you likely have clients who are part of a stepfamily with something to celebrate on September 16.

National Stepfamily Day is a celebration of second chances and overcoming the unique challenges of integrating different family members and adjusting to new relationships. Those challenges extend beyond trying to get along as “one big happy family” and into financial and legal areas, where planning for the future requires as much care and sensitivity as navigating the family relationships themselves.

### The Evolution of Stepfamilies

The “traditional” American family—two parents, first and only marriage for both, all children in common—is no longer the dominant household structure and has not been for decades.

With higher divorce rates, increased remarriage rates, and evolving social attitudes, today’s families are increasingly diverse.

In 2025, an estimated 41 percent of first marriages will end in divorce.<sup>1</sup> As of 2021, over 2.4 million stepchildren lived in US households, according to the US Census Bureau.<sup>2</sup>

However, even as the ranks of nontraditional families are expanding, the term *stepfamily* is falling out of favor. Some say that it carries a stigma and confers second-class status on stepparents and stepsiblings.

More families embrace terms such as *blended* or *bonus* families to reflect their unique dynamics in a positive light and foster a sense of inclusion and connection. The law, however, has not evolved as quickly.

### How the Law Treats Stepchildren

In the real world, families may see no distinction between step- and blood relatives, but the law often does. For estate planners and financial advisors, understanding how courts view step relationships is critical because it may not match how clients feel about their blended families.

**In most states, stepchildren do not automatically inherit from a stepparent** under the default rules (*intestacy laws*) that decide what happens to someone’s accounts and property if they die without a valid will or trust. These laws typically direct the deceased person’s accounts and property to biological or legally adopted children and a surviving spouse, omitting stepchildren by default.

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<sup>1</sup> Robert McAllister, *Divorce Rates in US 2025 – Current Trends and Analysis*, NCH Stats (Dec. 11, 2024), <https://nchstats.com/divorce-rates-in-us>.

<sup>2</sup> *National Stepfamily Day: September 16, 2023*, U.S. Census Bureau (Sept. 16, 2023), <https://www.census.gov/newsroom/stories/stepfamily-day.html>.

**Formal legal adoption of a stepchild is typically the only exception.** Without it, even decades of parenting a stepchild may carry no legal weight.

**Blended families are also vulnerable to unintentional disinheritance.** One common scenario occurs when a stepparent leaves assets outright to their surviving spouse, the stepchild's biological parent. If that spouse later remarries, changes their estate plan, or simply spends down the inheritance, there is no guarantee that stepchildren, or even biological children, will receive what the client intended them to have.

### **Estate Planning Steps for Including (or Excluding) Blended Family Members**

Steprelations can present some of the most personally sensitive and legally complicated estate planning conversations. Clients need to be clear about whether they want to include stepchildren in their plans, exclude them, or structure inheritances to balance the needs of their surviving spouse, biological children, and stepchildren.

#### **Including Stepchildren**

Clients may wish to treat stepchildren as equals to biological children in their estate plan for the following reasons:

- They have developed deep bonds.
- The stepchildren have little or no other family support.
- The client values fairness or wants to avoid divisions and treat all children equally.

#### **Strategies and Tools**

If clients want to be certain that stepchildren are included in their legacy, they will need to use particular planning tools to make their wishes legally enforceable. When engaging in proactive planning, clients should remember the following:

- **Specific naming and instructions.** Use full legal names and clear instructions in wills and trusts. Terms such as *my children* will usually refer only to biological or adopted offspring.
- **Living trusts.** A trust can be drafted to specifically name stepchildren as beneficiaries, ensuring that they receive the share your clients intend and bypassing default state laws that would otherwise exclude them. With a living trust, your clients can decide whether stepchildren receive the same shares biological children receive or different ones and set identical or tailored distribution terms for each.
- **Qualified terminable interest property (QTIP) trusts.** Incorporating a QTIP trust into a living trust can be a strategic way to balance priorities: providing for a surviving spouse's needs while ensuring that children and stepchildren ultimately receive their intended shares of the estate.
- **Beneficiary coordination.** Review and update beneficiary designations for retirement accounts, life insurance, and pay-on-death (POD) or transfer-on-death (TOD) accounts to keep distributions aligned with your clients' goals or integrate a living trust they have created.

- **Lifetime gifts with purpose.** Making thoughtful gifts to stepchildren during life—whether for major milestones, educational goals, or other meaningful needs—not only supports them in the moment but also demonstrates clear intent and helps reduce the likelihood of misunderstandings or disputes after your clients are gone.

### **Excluding Stepchildren (or Managing Inheritance Indirectly)**

Not every stepfamily is close, and an estate plan should not pretend otherwise. Clients may exclude stepchildren from their estate plan for the following reasons:

- There is emotional distance or family tension.
- The stepchildren are expected to inherit from their own biological parent or family.
- They want to preserve their accounts and property solely for their biological children.

### **Strategies and Tools**

If clients want to exclude stepchildren from their legacy, they must make that intent clear and legally binding. Help clients consider the following when structuring their estate plan:

- **Clear and affirmative language.** If exclusion is the goal, say so explicitly in a will or a trust. Silence or a failure to directly address the issue can invite conflict.
- **Living trusts.** Use proactive estate planning tools such as a living trust to limit inheritance to only biological children and descendants while still caring for a surviving spouse. If the goal is to not completely disinherit a stepchild, the client could leave them a specific monetary gift or a smaller percentage of the overall estate.
- **Guard against the “second spouse” problem.** Avoid leaving everything outright to a spouse if the client’s true intent is to benefit their own biological children, since the surviving spouse will have no legal obligation to pass along any remaining inheritance to them.
- **Keep up with change.** Regularly update documents and beneficiary designations after major life events such as remarriage, estrangement, or reconciliation to take into account new family dynamics and changing wishes.
- **Prenuptial and postnuptial agreements.** In subsequent marriages, such agreements can specify how assets will be divided at death, protecting children from prior relationships and preventing unintended disinheritances.

### **The Next Step: Talk to an Estate Planning Attorney**

The varying relationships and expectations within blended families can heighten the potential for disputes over inheritance. Perceived favoritism or unequal treatment of biological children and stepchildren can breed resentment and infighting. Navigating these dynamics requires a careful touch in both the home and an estate plan.

Keeping communication lines open and documents up to date can help reduce the potential for conflicts—and unintended outcomes—in an estate plan. However, as their advisor, you may be

dealing with the added challenge of interpreting what a client says about their blended family and how they truly feel.

You might be able to spot planning opportunities when clients say things such as “They are not **really** my kids,” “My spouse will take care of them,” or “We want to treat everyone equally,” and their current documents do not reflect their stated intent.

For help aligning a client’s estate plan with their legacy goals and their unique definition of *family*, schedule a time to talk with us.