

## *How to Gift with Strings or Gift from the Grave to the 'Problem Child'*

By Jean A. Dorrell

We've all heard stories of the "problem" child, or maybe we have one in our own family. The saying goes that if you have more than two children, you have a "problem" child.

A friend from Vietnam once told me a theory that you must use the calendar to "plan" when to have your children. The numerical formula is quite involved, but it factors the date of birth of each parent to discover the year they will create the non-problem child. He says that if you don't use the formula, you could end up with difficult off-spring. It's too late for most of us reading this article to go back and manufacture the "perfect" child. So what now? Make sure you have a plan in place to protect your problem child from himself/herself once you're gone.

### **Types of Problem Children**

Type one of the crop of problem children is the "Forever Student" - very intelligent, has four degrees and is working on a fifth, but is now 58 years old and has never used one of the degrees and probably never will.

Type two is the "Influenced" - they were the perfect child until they married a creep; a creep who is waiting to spend all your money. What's more, the creep has total influence over your once perfect child. Now, you have the creepy in-law/outlaw to worry about.

Type three is the "Runaway" - they left the "nest" years ago and you haven't heard from them since. But, there's that nagging feeling in your gut that says one of two things -- protect my nest egg so they can't claim any or I want to reconcile with them, but how and when?

Type four is the "Irresponsible" - maybe they don't have an addiction, but they just aren't good with money. The type that buys everything they see even if it's unnecessary. Perhaps you visit their home

and it looks like an infomercial studio with gadgets they will never use, but just had to have.

Type five is the "Wrong Place, Wrong Time" - they had the perfect job for 25 years, but turned 50 in 2008 when the economy fell and lost their job. Now no one wants to hire them and they've declared bankruptcy. You can't chance having a creditor get their inheritance, so what do you do?

### **The Plan with Strings**

The answer for all problem children is essentially the same; choose assets that are protected from outsiders like creditors, liens, in-laws/outlaws, bankruptcies, lawsuits, divorces, etc. Also, select assets that you can structure to protect your child from himself/herself.

Annuities are often a solid tool to utilize in these situations. In most states (check your state rules), annuities are creditor protected. Depending on the state the annuity can protect the owner of the annuity as well as the beneficiary from creditors. The monies are protected while in the annuity, so be sure your child or benefactor knows to keep the money inside the vehicle or start a creditor protected income stream. Never cash out the annuity if the casher-outer is subject to liens, creditors, bankruptcy or divorce. Then you take the protected money and leave it vulnerable.

Also, with most annuities, the insurer and issuer (an insurance company) can offer a restricted beneficiary form, which



allows the owner of the annuity to decide how the beneficiary gets the money. You can set up a five, 10 or 20 year payout. You can even give your beneficiary a small lump sum before starting the payout.

You are also permitted to change your mind. Perhaps your beneficiary starts going in a better direction before you pass away and you want to remove the restriction or amend them to be more lenient. No problem and no charge. It's much easier than using a trust to control the monies, because to amend a trust or even update the trust to meet ever-changing laws, you need an attorney.

Giftng with strings is hard, but often necessary and this is just one way to create a safe investment that will also protect your beneficiaries.

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