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# **THE SMART STEPFAMILY**

**GUIDE TO  
FINANCIAL PLANNING**



**Money Management  
Before and After  
You Blend a Family**

THE  
**SMART**  
STEPFAMILY  
GUIDE TO  
FINANCIAL PLANNING

Money Management  
Before and After You Blend a Family

**RON L. DEAL,**  
**GREG S. PETTYS, AND**  
**DAVID O. EDWARDS**



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The Smart Stepfamily Guide to Financial Planning

R. Deal, G. Pettys, D. Edwards

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## Dedication

Ron

To Dr. Margorie Engel, for being the first to open my eyes to the challenges of stepfamily dynamics and money matters and for leading the way to practical solutions

Greg

To my wonderful wife, Johnita R. Pettys, God's amazing covenant gift I will forever treasure

David

To Michelle, Bailey, and Cole, and to my parents, Delbert and Pat

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# Acknowledgments

Ron:

This book is the result of two influential conversations for which I am very grateful. The first occurred twenty years ago with Dr. Margorie Engel, former president and CEO of the Stepfamily Association of America. Her early writings on money management innovated solutions for stepfamilies, but it was a personal conversation with her that awakened my interest in this subject and started the process that resulted in this book. Just a few years later, I had dinner with Greg Pettys, one coauthor of this book. As a financial planner with a blended family of his own, he was very interested in this subject and shared many ideas that provide the foundation of this book. We both walked away from that conversation saying, “We should write a book someday.” We did.

Appreciations to my agent, Chip MacGregor, and editor Beth Jusino (who did the initial painstaking work of helping three voices become one). And thanks to editor Ellen Chalifoux for once again making my books read much better than they were written.

And finally, a special thank-you to Bethany House for investing in stepfamilies around the world by collaborating with me to create the SMART STEPFAMILY SERIES. Your dedication to publishing

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practical resources to help an underserved people group is admirable. I am honored once again to partner with you.

David:

I remember the day Greg came to my law office asking if I would help him with some content for a breakout session he was doing at one of Ron's stepfamily events. That was the beginning of my journey with Greg and Ron to create a resource to help stepfamilies make wise financial choices.

Thank you to all the blended family clients who have honored me by trusting me to help them plan effectively. My contribution to this book is the result of what I have learned from working with these wonderful families over the years.

Thank you to Ron and Greg. I am honored and humbled to be a part of this project, and I pray that it can be used by many families to make wise decisions that honor God.

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## Introduction

Imagine a conversation between two people who have been dating for over a year. They are both single parents. After a nice, romantic dinner, he reaches across the table to hold her hand, looks deeply into her eyes, and says, “We’ve been together a long time, and I can see our futures merging together.”

Her heart quickens. Her eyes widen. She nods and leans toward him. *He’s going to pop the question!*

“So I,” he says and clears his throat, “was wondering . . .”

“Yes?”

“Would you . . .”

“Yes?”

“Outline all of your debts and assets, show me your credit report, and sign this prenuptial agreement?”

Ouch, what a way to spoil an evening—and maybe a relationship. And yet at some point, every couple needs to talk about their values related to money and how they will logistically combine incomes, debt, and the future care of their children. If they don’t, blended family money matters might spoil more than an evening.

Among the three of us, we have over fifty years of combined experience with financial planning and blended family education.

We've seen firsthand how money can help bring security to a relationship, and how it can threaten it. What makes the difference is how the couple handles the conversation.

This book is about so much more than money. It's about planning for your future, merging your families, and guarding your marriage. It's about building a loving relationship, based on trust, that provides a safe harbor for you and your children. It's about a harmonious relationship of respect that guides how both of you manage your assets and that turns money into a tool that serves what you value, provides for your family, and prepares your children for healthy adult living.

If that's what you're after, keep reading.

## What You May Fear

By the time most people enter a blended family marriage, they and their kids have been beat up by life a little (maybe a lot). Amanda sure was.<sup>1</sup> That's why, when she entered a new relationship, she decided to cohabit with her boyfriend and not marry him. She explained her reasons in a post on social media: "When you divorce, you can lose EVERYTHING. That is so traumatic that you prefer to cohabit [the next time] rather than marry and risk financial (and other) devastation."

Whether you agree with Amanda's life choices or not, many of you can relate to her concerns. You, too, want to protect your children and avoid getting hurt again. And since financial issues can be a landmine topic in relationships, you may also fear

- That money will bring distress. (You know that a high percentage of couples argue about money, and you're *done* with conflict; your previous relationships gave you enough to last a lifetime.)
- That money will divide. (Conflict leads to disaffection and distrust . . . then divorce.)

- That money will destroy. (You're trying to rebuild your life—not experience more pain.)

Can you relate to any of these concerns?

## **Financing Your Togetherness**

Our objective is to help you make money an asset to your relationship, not a liability. Said another way, we want to give you the tools to finance your togetherness, envision your combined financial future, and plan for how you'll get there. We'll also give you practical suggestions for protecting your marriage while doing so. Throughout the book we'll offer first steps for those just getting started and more advanced next steps for those a little further down the financial road. The material here is applicable whether you're widowed or divorced, young or marrying much later in life.

The book is arranged in three parts: “Laying the Groundwork,” “Merging Day-to-Day Financial Responsibilities and Relationships,” and “Planning for the Future.” The first section helps you take stock of your current situation and begin to look down the road, developing a shared vision for how you will get there. In part 2 we'll examine how to merge the day-to-day financial aspects of blended family living while merging relationships as well. And finally, part 3 will help you plan for your financial future, that is, yours and your children's.

Your contribution is to let love lead, especially in money issues. Whether you are dating, engaged, or already married, put on patience and kindness as you learn about and discuss good financial management. Love, like financial investing, always involves risk. The most mature lovers embrace that. They give of themselves even when they aren't sure the other will give back, they are vulnerable even at times of relational uncertainty, and they look for ways to serve the “usness” of their relationship before serving themselves. All of this is risky on some level, both financially and relationally.

However, if your relationship is going to grow, then sacrifice, vulnerability, and a giving heart are unavoidable and necessary risks. Facing the emotional and financial risk *together* is a key way you foster the safe harbor relationship you seek.

## How to Use This Book

We highly suggest that couples, whether married or contemplating a joint future, read this book together. Digesting the material at the same time allows you to share your insights and discuss the applications to your family circumstances. If you're a single parent not in a relationship right now and you picked up this book as a way to proactively plan for the future, good for you! The following chapters will provide solid financial advice that will help you develop strategies to care for yourself and your children.

Throughout the book we explore various blended family circumstances. Feel free to skip to the sections that most address yours. For example, young families can apply every chapter, but later-life couples with an empty nest may jump over the chapter about college funding (unless you are saving for your grandchildren); take special note, though, of the sections pertaining to retirement and transferring wealth to your children.

Finally, while this book touches on the relational matters that financial decisions bring up in stepfamilies, primarily it's about the practical issues of money management and estate planning, with an eye toward how those impact your relationships. There are many other resources that primarily address how to strengthen your blended family and your marriage, while giving some consideration to the role money plays. For example, Ron has authored/coauthored a series of books and a DVD series beginning with *The Smart Stepfamily*. This book provides a comprehensive guide to becoming an emotionally and spiritually healthy blended family. *The Smart Stepfamily Marriage*, written with David Olson, is specifically designed to strengthen your marriage, *The Smart*

## *Introduction*

*Stepdad* and *The Smart Stepmom* with Laura Petherbridge equip stepparents for success in their roles, and *Dating and the Single Parent* helps couples date well and prepare for marriage while considering the needs of their children. These and other resources and online articles can be found at [FamilyLife.com/blended](http://FamilyLife.com/blended) and [SmartStepfamilies.com](http://SmartStepfamilies.com).

# Laying the Groundwork

**E**very good strategic plan begins with an honest assessment of where you are and how you will work together to move forward. In this section we'll help you take stock of your current financial and family situation and give you a system to structure your finances and strengthen your marriage.

# 1

## Taking Stock

... and they lived happily ever after.

In the movies, that's often the last line as the couple rides off into the sunset. Unfortunately, we never get to see how they live. The devil, as they say, is in the details. There's no *happily ever after* if you don't know how to live.

Falling in love with a person is easy, but how *all of you* live together—adults, kids, ex-spouses, ex-in-laws, new in-laws, stepsiblings—determines your happily-ever-after. For many blended families, money is a point of convergence for the pain of the past and the uncertainty of the present. But it doesn't have to be that way.

Taking stock of yourself and your family relationships is an important first step to developing a financial vision for your blended family. Since stepfamilies are born out of loss (the death of a parent or the dissolution of the parents' relationship), understanding the past is important in understanding how your blended family will function in the present.

As we shared in the introduction, we want to help you make money an asset to your family, not a liability. We want money

management to be something you do *with* and *for* your spouse, not *to* your spouse. And we want estate planning to be something that brings you and your stepchildren together, rather than pushes you apart. So in this chapter, let's take stock of your situation and start to develop a vision for your future together.

## Taking Stock of You

So, how are you? No, really, *how are you?*

If we asked God to do an audit of your career, personal relationships, habits, behaviors, marriage, family, and emotional well-being, how would it turn out?

We're not asking if you are perfect (we already know the answer to that one). Instead, we're inviting you to pause and assess your overall health and well-being. Are you rooted in the eternal, or are you living for today? Are you free to enjoy life, or are you imprisoned by an addiction? Are your relationships safe and life-giving, or are you paralyzed by insecurity?

Why does this matter? Because everything is connected. Eventually, you and your partner are going to discuss family and finances, and if they can't trust you because of a bad attitude or habit you can't shake, then making decisions about your financial future is going to be difficult.

We're not trying to make you feel bad about yourself. However, it's very important that you be honest with yourself. Take a minute, pause, and reflect on the question "How are you?" If you want, use the space below to write your reflections as you take stock.

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## **Taking Stock of Your Blended Family**

A stepfamily, also called a blended family, is a complex spaghetti of loyalties, cultures, traditions, DNA, expectations, parenting styles, losses, fears, and people—both those in the home and outside the home (like ex-spouses and adult children). Merging as a stepfamily means merging all of these pieces. Family harmony and peace come when the parts and pieces bond and integrate.

A wedding that forms a stepfamily clearly defines the couple's relationship as "committed till death do us part," but it's less clear how children (adult or young), former spouses, grandparents, in-laws, and all the rest will be a family. The desire of a couple to blend does not magically produce a family smoothie—it takes work, cooperation, and collaboration to bond stepparents and stepchildren and integrate family narratives. And that's if everyone is equally open and willing to try. You can imagine, or perhaps you already know firsthand, what it's like if some are and some aren't.

What does this have to do with financial planning and money management? Everything. Before marriage if one parent offered their children an allowance as a reward for completing chores, but the other parent did not, which system will they use in their stepfamily? Assuming at least one parent (and maybe both) has to make changes, will their children resent the changes? Will they refuse to accept the transition?

You see, underneath many financial conflicts in stepfamilies are much bigger issues of belonging, loyalty, trust, power, control, acceptance, perceptions of favoritism, and fears of relational uncertainty.

Sandra, a divorced mother of two, faced a dilemma like this. Dave, her second husband of five years, wanted her to change her will and leave everything to him. Dave didn't have children of his own, so naming Sandra as his sole beneficiary was a simple decision. But Sandra was concerned about her sons. They were already in their early twenties and living independently when Dave came into her life, so while Dave and her sons got along well

enough, they never really bonded. Sandra wasn't confident that Dave would take care of them financially if she died, or that they would even let him.

On the surface, this seems to be a question about Sandra's will. But underlying that question are a lack of family integration, loyalty conflicts (Does Sandra choose her husband or sons?), and issues of marital trust. Factors like these influence a blended family's financial decisions far more than math or principles of investing.

Said another way, financial conflicts are often just a symptom of much deeper blended family dynamics and relationships.

A thorough exploration of stepfamily development and dynamics is beyond the scope of this book.<sup>1</sup> But take a minute to reflect on the following questions to help you get a clear picture of your current family situation.

- Are you rushing or did you rush to the altar? A short dating season and a hurried wedding do not give anyone much time to prepare for or adjust to a healthy stepfamily. You may have to deal with deeply held resentments from the children toward their parent or stepparent or suspicion from other family members. Slow down. Let time be your friend, and give lots of consideration to the needs of your children.
- Do you have unreasonably high expectations about family bonding and harmony? Integrating a blended family into a cohesive unit takes most stepfamilies years. Expecting love or trust to happen too fast sets everyone up for disappointment. Be intentional to build connection, but also be patient with the bonding process.
- How strong is your couple relationship or marriage? Stepfamily stress caused by new relationships, ex-spouses, conflicts with children, parenting disagreements, and more will ripple into a couple's relationship. It's not easy to simultaneously carry stress and lead your family through it—all while developing harmony in your marriage. But

a stepfamily without a strong marital relationship is doomed.

- Are you working as a capable parenting team? When there are co-parents (biological parents living in separate homes), many stepfamilies find themselves with multiple adults trying to parent multiple children in multiple homes. Things can get difficult quickly. Your first priority should be that the parent-stepparent team in your home works well together. You simply can't work through the integration process without unity. If the other parent is still in your child's life, it's also important to work toward basic respect and cooperation between homes.
- Are there other common pitfalls that are creating issues for you at this point? Perhaps you struggle with unacknowledged feelings of loss, unexpressed grief, difficulty merging traditions, or being controlled by guilt or fear. These can all spill over into the way you view and handle money matters.
- Are you fighting a temptation to give up? It's a shame, but most divorces occur when one or both partners quit too quickly. The average stepfamily, as we said, needs many years to solidify their relationships and experience rewards, but a high percentage of remarried couples divorce within two years. They quit before things get good. Don't fall into that pit; be determined. Keep going.

With these questions in front of you, take a minute to pause and reflect. Use the space below to take stock of your blended family and discuss what you can do to learn more about healthy stepfamily living.<sup>2</sup>

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## Taking Stock of Your Values about Money

Before we start talking about specific numbers, we also need to take stock of your values, specifically about financial matters, and how they converge with your spouse's.

You might have heard that many divorces are caused by conflicts about money. Actually, money is just the surface issue. In addition to relational dynamics, it's things like differences in our *underlying values* that cause conflict, not money. For example, in their book *Your New Money Mindset*, authors Brad Hewitt and James Moline point out that the value of consumerism—the “obsession with money and all that it can buy”—impacts how people manage their money and their relationship to money.<sup>3</sup> Hewitt and Moline describe a study of the super-rich, which found that even the majority of people with at least \$25 million in assets didn't think they had enough money; they reported needing at least 25 percent more in order to be secure.<sup>4</sup> By contrast, the authors point out that those with a healthy relationship with money felt more peaceful about their situation, no matter how much they had, and likely were more generous.

As you can imagine, if one partner values consumerism and the other values generosity, the couple will have difficulty finding common ground in financial planning and making daily money decisions.

Objectively taking stock of our values is more difficult than it seems. You may find it helpful to take a free online assessment at [NewMoneyMindset.com](http://NewMoneyMindset.com) called “Your New Money Mindset” from Brad Hewitt and James Moline. This will give you greater insight into your money attitudes and values.

Once you've completed that, talk through the following questions about your values with your partner. Though not an exhaustive list, these questions will help you identify any gaps in your values. These are the areas where you will inevitably experience conflict, so you might as well be proactive to talk through them.

- Are you generally satisfied with what you have, and do you live within your means?
- Is generosity (sharing money, time, or energy with others) a priority for you?
- How do religious beliefs impact your decisions about and attitude toward money? For example, are you a steward of your money, or the owner? Give examples of how this has played out in your life.
- When it comes to material things that depreciate (clothes, cars, computers, etc.) do you value buying new or used? Does it need to be the latest and greatest model?
- What makes sacrificing something material that you want worth it and why?
- For you, does the amount of money you have represent status, security, enjoyment, control, or provision so you can fulfill your purpose? Why?
- Do you believe that people should work to earn their money? Is it important to “learn the value of a dollar”? What might this look like in parenting?
- Which do you find yourself pursuing or longing for when it comes to money: contentment with what you have or having more?
- What would you say to those who suggest that debt is a form of servitude? When is it okay to take on debt?
- What is your attitude about giving to individuals, your church, and other nonprofits and charities? What has been your practice?

- What have you taught your children about money?
- When is it okay to give or loan money to family members? Should there be conditions?
- Are you a spender or a saver, and why? (Now answer the question from the point of view of others: Would your parents say you are a spender or a saver? What would your friends or previous spouse say? What would your children say?)
- What are you saving for? Is retirement something you're planning for, and what do you think it looks like?
- How much independence should there be in a marriage when it comes to financial decisions? For example, how much can you spend without consulting/informing the other?
- Currently, what do you consider "my money," "your money," and "our money"?

Talking through these questions will likely uncover stories from your past, including moments of joy and pain in your life, and give perspective to your current financial situation and how you got here. Do not rush through this discussion.

In fact, you may need multiple conversations with your partner to spend adequate time on each question. Again, the point is to take stock of the values behind each of your individual histories and decide if you will keep them going forward. You will return to these values repeatedly while applying the principles of this book. Write your observations here.

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## **Taking Stock of Your Financial Situation**

You can't set out for a destination without first knowing where you're starting from. Many couples, even some who have been married for some time, have never sat down to look at and understand their current financial situation.

In the next chapter you'll examine your current situation in detail, but for now, start thinking about a few significant aspects. What are your major assets and remaining debts? Who are the people you are financially responsible for (e.g., children) or to (e.g., aging parents)? What happens to all this if one of you dies?

Again, you'll outline this in detail later, but for now, what jumps out to you as something you need to organize or decide together?<sup>5</sup>

## **Getting Started**

Now that you've taken time to reflect on your story, you can carry these insights with you as you move through the book. In the next chapter, we'll show you a key ingredient to getting smart with your finances—a plan, if you will, that will provide the scaffolding to help you finance togetherness.

But a quick word of caution before we do: Since every blended family story is different, every financial situation and solution will also be different. As you read the stories of others and learn from their circumstances, keep in mind that your story is unique and will need unique solutions. If the conversations you've had thus far are more challenging than you anticipated, or if the strategies in the following chapters seem overwhelming, consider seeking out a personal financial planner or estate attorney to guide you through the process of creating your unique financial plan.