



## Blended families: Managing complexity with clarity and care

Families evolve in different ways across generations, and it's rarely a neat or linear journey. In Australia, shifting social dynamics, such as increasing divorce rates and remarriage, are contributing to the rise of blended family structures<sup>1</sup>.

These evolving structures can bring great richness to the family unit, offering diverse perspectives and experiences, as well as access to a broader support network. However, they can also introduce complexity, particularly in managing wealth, maintaining effective governance and ensuring all family members feel respected and treated fairly.

A thoughtful, tailored approach grounded in clear communication and a shared understanding of the Purpose of Wealth<sup>2</sup> can help families navigate this complexity and stay focused on what matters most.

We are pleased to share five best practices for blended families to maintain long-term unity and harmony:

### 1. Communication is critical

Every family has its own unique dynamics and complexities. Open and transparent discussions play an important role in addressing concerns, managing expectations and clarifying assumptions.

This becomes particularly important during significant life events, such as relationship changes, second marriages, succession planning or estate matters, where complexity can increase.

Explaining the reasoning behind key decisions, especially where outcomes may differ across family branches, helps minimise the risk of misunderstanding.

Creating space for ongoing dialogue, not just one-off conversations, is imperative, especially as it is common for family members to have different life experiences, relationships and expectations.

When families commit to respectful, ongoing communication, they become more effective in preventing issues before they arise, building trust and supporting informed and balanced decision-making.

Regular family meetings with an independent Chair can be an effective way to give all family members an opportunity to have their say.

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<sup>1</sup> Families and family composition | Australian Institute of Family Studies (1 August 2023)

<sup>2</sup> Mutual Trust Publication | Why the Modern Family Office Matters

## 2. Regularly review estate and wealth structures

Blended families may require unique estate and structuring considerations, including competing interests between partners and children, perceived inequality, and complexities in asset distribution.

Over time, existing arrangements may no longer reflect the current family structure. Without regular review, this can create unintended outcomes or disputes - often at emotionally challenging times.

For families to manage this process well, we recommend:

- Regularly reviewing wills, trusts and superannuation arrangements
- Ensuring structures reflect current relationships and intentions
- Considering how to provide for a current partner, while protecting the interests of children from current and/or earlier relationships
- Remaining mindful of differing financial positions and life stages across all family members

A well-considered and regularly updated approach can help balance priorities, reduce uncertainty, protect financial capital and avoid potential conflicts.

## 3. Implement sound governance to support decision-making

Strong governance plays an important role in supporting family relationships *and* long-term wealth outcomes - promoting clarity, consistency and confidence as families grow and evolve.

In addition to aligning legal structures (such as trusts and superannuation) with broader family objectives, it's important to establish governance arrangements that support effective and harmonious decision-making.

Mutual Trust helps families design and implement Family Constitutions to manage long-term governance and decision-making requirements. A Family Constitution is the overarching document that defines a family's guiding principles and objectives, based on their Purpose of Wealth, where all family members can have buy-in. It addresses how a family makes decisions, manages capital, accesses income and transitions assets across generations.

Importantly, it provides a shared reference point to help family members engage constructively with each other, manage disputes and foster accountability.

Often, the Family Constitution is the key input into formalising legal documents, such as estate and succession plans and family agreements.

## 4. Prioritise connection, not just structure

While planning and structure are important, family harmony is ultimately built on relationships.

In blended families, it is particularly important to consider the emotional and relational impact of decisions, rather than just the financial outcomes.

There is no doubt succession planning can be daunting. However, as lives, circumstances and wishes for the distribution of wealth change over time, particularly in the case of blended families, the ongoing maintenance of a clearly defined plan is critical.

**Eliza Newson**

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To foster a culture of trust and transparency, many families benefit from opportunities for shared experiences and connection. Whether this be through an annual family retreat, ongoing family meetings, informal gatherings or engaging in volunteering initiatives, these ongoing opportunities to connect can strengthen relationships across family branches, reinforce shared values and create a stronger sense of belonging.

## 5. Thoughtfully support and empower the next generation

In blended families, younger family members may have different starting points, experiences and expectations. A thoughtful approach tailored to their unique circumstances is required to support both opportunity and fairness.

We see successful wealth transfers occur when families look beyond the provision of financial capital and focus on how family members will contribute meaningfully and maintain the positive impact of their wealth over time.

This may include:

- Building capability, confidence and financial understanding
- Providing appropriate opportunities to participate in decision-making
- Creating a sense of inclusion and belonging across the family

Where families wish to support individual pursuits or passions, it is important to be clear about whether that support is a gift, loan or investment. Clear documentation and transparent communication can help minimise the risk of misunderstandings across the family.

**Blended family structures bring both opportunity and complexity. With the right approach, clear communication and a shared sense of purpose, families can navigate these dynamics while preserving both wealth and unity and harmony.**

**At Mutual Trust, our Tax, Family Office Advisory and Wealth specialists work side-by-side to help families achieve what matters most. If you would like to explore how we can support your family, please contact your Relationship Manager.**

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