

SECOND TIME AROUND: SPECIAL FINANCIAL ISSUES FOR REMARRIAGE

Are you planning to remarry? If so, you might consider saying “I do” in front of a financial planner as well as the minister.

That’s because finances in remarriages typically are thornier and more complex than the first time around. Both of you may bring minor or adult children to the second marriage, have far more in accumulated assets (or debts), and have more entrenched personal money styles. In addition, you may be carrying emotional debris from financial conflicts in your previous marriage.

Here are a few tips for making the challenges of melding two sets of finances go more smoothly.

Talk it over. Lay out your finances before each other. Review what assets each of you bring and what you might keep separate. Who will pay what portion of daily living expenses or big-ticket items? This can be a sticky issue if one has significantly more income or assets than the other.

What financial obligations do you bring from your previous marriage? Are you committed to putting a child through college or helping support adult children in some way? Will just you pay for that, or both of you? What impact might remarriage have on financial aid for a child in college? Do either of you have child-support obligations? Will minor children be living with you?

Write everything out to minimize later questions or disputes.

Where will you live? Remarriages often involve two homes. Will you sell one home and move into the other residence, or sell both and move into a third? Either way, what if each of you has children? Who inherits the remaining home after both of you die?

Update wills and beneficiary designations. Financial planners are amazed how often remarried couples forget to update wills and beneficiary designations for such financial instruments as individual retirement accounts, pension accounts, and life insurance policies. If you die, and your ex-spouse is still listed as beneficiary on your accounts, that’s who inherits, not your current spouse.

Review retirement benefits. Beyond updating retirement account beneficiaries, you may have other retirement issues to consider. For example, an ex-spouse might be entitled from the divorce decree to a portion of your retirement benefits, which would reduce resources for you and your spouse’s retirement.

Remarriage can reduce Social Security benefits. The rules are too complex to explain here, but be aware, for example, that should you remarry before you're age 60, you may lose benefits you were previously entitled to based on your former spouse's work earnings.

Review insurances. You may need additional life insurance as current income protection or perhaps to compensate children from your previous marriage because upon remarriage you sold their childhood home they otherwise would have inherited. Healthcare, auto, disability, and other insurance policies also may need adjusting.

Consider trusts. Trusts can be especially important in remarriages because you can use them to direct assets to desired heirs while still supporting your new spouse. For example, say you bring to the remarriage a home or stocks you eventually want to go to the children from your previous marriage. You can set up a trust that allows your current spouse to live in the home or draw income from the stocks until he or she dies. The trust then passes the home or stocks on to your children. Without the trust, the home and stocks could end up in other hands, such as the children from your spouse's previous marriage.

Consider a prenuptial agreement. While disdained as "unromantic," a prenuptial agreement often is essential in remarriages. It's particularly important where one or both parties bring substantial assets (or debts) to the marriage, or where one or both expect to inherit substantial assets, say from their parents. Another common situation is where a business owner may want to pass the business to the owner's children, not the spouse.

Prenups are strong documents as long as you draw them up with separate attorneys well in advance of the union (no springing the prenap the night before the wedding) and you've provided full disclosure of your finances. Update the prenuptial agreement if your financial circumstances change significantly.

These areas are only starters. Remarriage is a time to review all aspects of your finances, including starting or revamping your spending plan (a budget), possibly readjusting your investment portfolios, and reviewing your employee benefits.

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