

Unmarried couples share lives ... and money

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FINANCIAL PLANNING TIPS

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Many couples these days may often live together for some period of time as unmarried partners.

This group includes not only twenty-somethings fresh out of school, but also middle-aged couples who wish to ensure their estates pass to children from prior marriages, as well as previously married seniors who might otherwise lose government-provided retirement benefits.

Shared, separate or some combination?

Regardless of the circumstances, one of the critical issues unmarried partners face is managing personal finances. If you are part of an unmarried couple, here are some questions to consider:

- 1) Will you combine your finances or handle them separately?
- 2) If you merge finances, will you pool your income or set aside a portion for your own use?
- 3) If you share household expenses, will you split them equally or apportion them according to income, usage or some other criterion?
- 4) Will you open joint checking and credit card accounts?
- 5) If you manage finances as a couple, will this include long-range retirement planning or just short-term household expenses?

Beware the pitfalls

Before pooling financial resources, it is important to recognize that unmarried couples lack many of the legal safeguards that protect spouses.

If the relationship ends, there are no divorce courts, laws or uniform legal guidelines to separate your combined assets.

Joint bank and charge accounts carry some big drawbacks. You each become fully responsible for the entire amount of any joint debt.

Creditors can seize the funds in a joint account to satisfy one partner's debt. In addition, one partner can drain the funds from a joint account or fail to pay credit card charges, ultimately damaging the other's credit rating.

When planning for retirement, be aware that unmarried partners may sometimes not be eligible for spousal benefits from two key sources of income that marriage partners often depend on: government-provided

retirement benefits and employer-provided pension plans. Also, bear in mind the relationship could end before retirement.

Preventing problems before they occur

Can you forge a happy life as an unmarried couple, yet protect yourself financially? Before combining finances, candidly discuss your financial values and goals. Be sure you agree on financial priorities and have a spending plan.

Addressing these issues upfront can provide a solid foundation for all your financial decision-making and subsequent actions.

If you share a joint checking account, protect yourselves by opening one requiring both signatures for withdrawals. Clearly define the expenses it will cover. Keep good records of account activity, otherwise it may be difficult to verify your contribution to shared expenses if the relationship ends.

If you hold joint credit cards, close each account if you part company. Do not just split up the cards -- remember, you are still each fully responsible for all charges on any joint account.

Also, keep in mind that it is important to establish and maintain your own separate credit histories.

Regarding retirement planning, unless you have a written agreement or irrevocable trust that will withstand a permanent separation, it may be best to consider yourselves single individuals and plan separately. If you do plan for retirement together, there are several options worth consideration:

- * Investigate the availability of joint and survivor benefits
- * Increase your personal savings
- * Cross-own life insurance policies
- * Designate each other as the beneficiaries of life insurance policies and registered plans (RSP's, etc.)

Consider protecting yourselves with a domestic partner agreement. This is a written contract between unmarried partners that addresses the sharing of income, expenses and property.

It supports each partner's ownership rights and outlines his or her intentions for the distribution of property if the relationship ends or in the event of the death. For assistance, consult a qualified professional.

Keep eyes wide open

There are probably as many ways of handling finances as there are unmarried couples. Some couples maintain separate finances.

Others share some costs, while keeping income and other expenses separate. Still others pool all income and expenses. Without the legal protective mechanisms accorded to spouses, the "safest" approach may be to maintain separate finances.

However, this is not always convenient and may not promote positive relationship building.

An awareness of the potential pitfalls can help you structure an arrangement that will work for your individual situation.

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