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Planning for Remarriage

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What is it?

If you're planning to remarry, you must decide how you and your fiance will combine your finances, and you'll need to plan a financial strategy that considers the assets, liabilities, and financial responsibilities that each partner brings to the marriage. You'll find that financial planning for marriage is more complicated than it was the first time you got married, because your life isn't as simple now. You may have acquired more assets. You may have children now. You may want to plan more carefully this time, now that you're familiar with the financial consequences of divorce or the death of a spouse. You're older, perhaps substantially older, and you and your spouse may be concerned with retirement and/or estate planning.

Tip: *Many of the issues you face will be no different than the issues individuals* marrying for the first time *must deal with. These issues include budgeting, savings and investments, insurance issues, integrating employee and retirement benefits, and property ownership issues.*

What obligations from your past can haunt your future marriage?

Debts and bad credit

It's not uncommon to have extensive debt and a less-than-spotless credit history, particularly if you've been through a divorce. However, debt and/or credit problems that either of you have can affect whether or not you can obtain credit as a couple once you're married and can lead to arguments that can strain your marriage. Before remarrying, make sure that you and your fiance understand what debts each of you owe and determine whether one or both of you have marks on your credit history. Consider ordering copies of both your credit reports from a major credit reporting bureau, then sit down and honestly discuss your current financial position. Even if you're embarrassed about how much you owe or how poor your credit history is, don't hide that information from your partner. Although he or she may be surprised to find out that you've had past financial problems, it's better to disclose this.

There are positive steps you can take to improve your financial position as a couple. For example, you can go through credit counseling together, keep your credit and/or finances separate, and take measures to protect the assets of one or both partners against the claims of an ex-spouse or creditor.

Children from a former marriage or relationship

Children, while a blessing, can strain a marriage financially, particularly when the children are from one or more former marriages or relationships . You or your fiance may have an obligation to pay child support or may have joint or sole custody of one or more children. You may be concerned that an ex-spouse will demand even more child support in the future, or you may wonder who will be obligated to pay for the children's expenses or for their future college education. Adult children present special problems. In particular, you'll want to carefully plan your estate to avoid the conflicts that can erupt if your adult children resent your current spouse or fear that he or she will inherit or mismanage your estate.

Claims an ex-spouse has on your present or future finances

One or both of you may have an ex-spouse who may be entitled to a portion of your current or future earnings or benefits. For example, you or your fiance may have to make alimony payments that may seriously affect your finances as a couple, particularly if the ex-spouse goes back to court seeking more money. In addition, an ex-spouse may be the beneficiary of a life insurance policy or may be entitled to a survivor's benefit from your spouse's pension plan. When you remarry, you should review your will, your insurance policies, and your pension plan. You may want to change your beneficiary designations, although this may not always be possible. For example, if you're divorced and your ex-spouse has been awarded a court-ordered survivor's annuity, you may not be able to name your new spouse as beneficiary.

What you can do to ensure that your future financial relationship stays healthy

Before getting married, have an honest talk about your finances

Before getting married, you and your partner need to discuss how you handle money, because money is a leading source of conflict in a marriage. Differences in how you and your partner handle and think about money can lead to hurt feelings, insecurity, and arguments. One person may be a saver, the other a spender. Also, you may have different financial goals than your partner. Money issues can be especially troublesome when you remarry, because you or your fiance may feel financially vulnerable if a previous marriage ended in divorce, particularly if it ended, in part, because of financial troubles.

You and your fiance must work out the terms of your financial relationship, setting up a mutually agreeable plan. Now is the time to decide if you want to keep separate bank accounts and to determine whether you want to pay expenses together or separately. Consider disclosing all your obligations and income to your partner to avoid any conflicts in the future and so that you can make sure that any budget you set up is realistic.

Consider using prenuptial and postnuptial agreements

Prenuptial and postnuptial agreements are contracts used by couples of all ages to define their rights, duties, and obligations during marriage and to determine what happens in the event the couple separates or divorces or one partner dies. If the contract is written prior to the marriage, it's called a prenuptial, premarital, or antemarital agreement. If it's written during the marriage, then it's called a postmarital agreement. Couples who are remarrying should consider using marital agreements if they have substantial assets or children to protect and/or want to avoid some of the financial trauma that could occur if their marriage ends. They can spell out what assets and liabilities each partner is bringing into the marriage and determine how the assets brought into the marriage, and those acquired during the marriage, will be divided. They may also have an impact on your estate planning.

Consider keeping credit separate

One way to help you and your future spouse maintain a good financial relationship is to continue keeping your credit separate even after you marry. Instead of applying for joint credit cards, each partner can keep his or her own credit cards. This can protect you in several ways. If one of you has good credit but the other doesn't, it can help the partner with good credit keep it. If you experience financial difficulties as a couple, keeping your credit separate will ensure that if one spouse's credit suffers, the other spouse's credit rating will remain unaffected. Keeping credit separate will also make it likely that if this marriage ends in divorce, only the individual who incurred the obligation will have to pay it. In short, you won't end up paying your ex-spouse's debts. If you or your partner have been burned financially in a relationship before, keeping separate credit might make you feel more in control and may prevent arguments that can hurt your current marriage.

The downside to keeping separate credit is that it can be complicated. If one spouse is working while another isn't, the nonworking spouse may have trouble qualifying for his or her own credit. Trust issues and arguments over credit may also arise should one spouse have more credit or more accounts than another. In addition, you and your spouse may be able to qualify for a credit card or a loan much more easily if you apply together rather than separately, so keeping your credit completely separate may not be feasible. Furthermore, if you and your spouse run up a lot of expenses on both your separate credit cards, you may have to face the option of paying off only one spouse's card, while sacrificing the good credit of the other; this scenario could generate some tension or conflict.

Pay close attention to the way your assets are titled

There are several ways ownership of assets can be designated. Couples who are remarrying should pay close attention to the way assets acquired after they marry are titled , because how their assets are owned may affect their current finances as well as determine who will receive the assets after they die.

For example, if you and your partner buy a car and sign the loan paperwork together, you own the car jointly (as joint tenants). Owning your car this way can be advantageous because it means that neither of you can sell the car without the other's permission, and if one of you dies, ownership of the car will pass immediately to the other. (Note: Either of you can sell your interest in the car, even if you can't individually sell the car outright.) However, joint ownership can also have certain disadvantages. For example, if your partner owes back child support, his or her ex-spouse may be able to claim that the car should be sold and the money used to pay back child support, and the court may order this. Or, if your spouse owes money to a creditor, the creditor may be able to place a lien on the property or force you to sell it to pay off the debt. The fact that you aren't responsible for the debt won't affect the creditors right to your spouse's share of the property.

In addition, individuals remarrying should carefully consider how holding assets can affect their estate planning goals. For example, if you have children from a previous marriage and you want to make sure they receive your assets when you die, consider setting up a trust for the benefit of the children. To make sure that your spouse has access to funds immediately after you die, you may want to set up a joint savings account.

Special concerns of older individuals

Protecting retirement and pension benefits

Older individuals sometimes hesitate to remarry because they fear losing their Social Security or pension benefits. However, except under certain circumstances, this is usually not the case. For example, if you're receiving a survivor's benefit or annuity based on your deceased spouse's pension, you generally won't lose it if you remarry. One exception can occur if your spouse worked for the government or the military. If you are receiving survivors benefits based on your deceased spouse's service with the federal government or the military, you do face the likelihood of losing your benefits in that situation if you remarry before age 55.

Rules governing Social Security survivor's benefits are a little different. If you're over age 60 and are receiving survivor's benefits based on your deceased spouse's Social Security record, you won't lose those benefits if you remarry. However, if you're under age 60 and are receiving benefits because you're caring for a dependent child, you'll lose your survivor's benefit if you remarry.

Protecting your health benefits

If you're widowed and are receiving medical benefits under your deceased spouse's retirement health- care plan, you may lose those benefits if you remarry. However, you'll have to check the terms of your policy and talk to the plan administrator. Losing your health benefits when you remarry may be a big concern if you have a pre-existing condition and can't buy medical coverage from an employer or if you're not old enough to qualify for Medicare.

Protecting your assets

You may worry that if you remarry, you won't be able to leave the bulk of your estate to your children as you had planned. Or, you may want to protect the assets of your partner in the event that you have to enter a nursing home, because after you marry, your spouse's assets (as well as yours) may have to be depleted before Medicaid will pay the cost of your care. Fortunately, there are many strategies you can use to ensure that your estate is transferred according to your wishes and to protect your spouse's assets (and your own) against the high cost of long-term care.

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