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ESTATEPLANNING

Getting Married

Romance meets Reality

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When love turns to thoughts of marriage, it's time to talk money – not just who pays the florist and caterer, but how you intend to support your financial lifestyle as a couple for many years to come. While not a fun conversation, it is essential if you intend to merge two financial lives and keep your marriage on an even keel.

Financial implications

In our continuing series of articles dealing with life-cycle milestones (having a baby, divorce, death, living together), this one examines some of the issues to address when contemplating marriage that require the help and experience of knowledgeable tax, legal and estate planning professionals.

Getting married – like entering a business partnership – has important financial implications all the way down the line.

Despite the oft-reported rise in common-law relationships, old-fashioned marriage remains one of the most important social institutions in Canada. Unsurprisingly, Statistics Canada reports the number of married couples stood at 65.8 per cent of Canadian families, down from 70.5 per cent in 2001.

People now marry at a later age. In 1972, for example, the average age was 23 for women and 25.4 for men. But by 2008, the average age for a first marriage was almost 30 for women and closer to 32 for men.

There's still about a two-year age gap between men and women when they get married, and women, on average, continue to live longer than men. That means a married woman is more likely to die a widow, while a married man is more likely to die a husband.

If you (or a family member) are contemplating marriage, consider these issues both before and after the ceremony.

Common Goals

A 2013 study published by the journal, Family Relations, examined more than 4,500 couples and concluded that arguments about money were a top predictor of divorce regardless of income, net worth and debt levels. I could have told them that without all that research. Even when those squabbles don't end in divorce, nobody likes the prospect of arguments over money for years ahead.

Now is the time to sit down with an experienced financial planner to develop and agree on shared financial goals. Is buying a home a priority? What can you cut back on to help make that dream a reality? Is travelling your passion? What if you want the home and the travelling? Where do children fit in that picture?

Budgeting

With people now getting married at an older (wiser?) age, they've been on their own for a while and have some understanding of what it's like to budget – for a place to live, food, savings, paying off debt and

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enjoying life. The addition of a spouse changes the equation and requires consolidation. Everyone falls off once in a while, but keeping to a budget will help common goals come true.

Emergency Fund

While couples have long-term goals, they should also look at some important short-term objectives. You need an emergency fund to cover at least three and six months of expenses.

Debt

Chances are at this stage of the game, couples have been through university or some other post-secondary education and both may have taken on some debt along the way. It's important to understand your partner's financial history and what debts he or she already has incurred before you tie the knot and what kinds of financial obligations your spouse intends to enter into after the ceremony.

Credit score

Your ability to take on future debt may depend on your credit scores. A credit ranking/report, based on your credit history, is one of the main tools used by lenders to decide whether to give you credit. The higher the number, the better the score, with a credit score of 750 or higher deemed excellent. In many cases, a minimum score of 680 is required for mortgage approval from most banks and other traditional financial institutions.

Get A Will

With people getting married later, there is a good chance they may already have valuable assets, acquired by them or from inheritance. The subject of death is a morbid topic for a newly married couple, but it's a certainty for all of us. If you die without a will, your spouse may have to guess what you may have wanted to do. If that occurs in Ontario, for example, the Ontario Succession Law Reform Act governs how your property will be distributed. Without a will, the government will distribute your assets.

Powers of attorney are also key. You need two of them – one for your legal affairs and another for health and personal care. The people you appoint will have to make important decisions – so choose them wisely, and discuss your intentions with them.

Life Insurance

I can tell you from experience that many young people think they're immortal, they won't get sick and may not even die. They seldom contemplate getting life insurance, especially if they don't have children. But even a childless couple paying down a mortgage on their condo should have the comfort of knowing they will be able to continue living there if the worst happens to their spouse.

Avoid getting mortgage insurance from your lender, it's a very expensive and poor choice compared to getting your own Life Insurance. Young and healthy is always the best time to buy life insurance and for most young people, it's an inexpensive way to ensure that spouses and assets are covered if the other person dies.

Health Benefits

While we live in a wonderful country with great healthcare, and your employer may also provide health benefits for costs not covered under provincial plans. They may provide "flex" benefits, allowing you to choose from a menu of options to supplement what the province provides. Once married, you may be eligible for coverage with the same kind of extras (physiotherapy, dental, glasses, etc.) your spouse enjoys.

When both spouses work and have insurance plans, it's usually the plan of the older that pays the initial amount of the claim, with the balance going to the second person's plan.

Remarriage

Many people are remarrying for a second- or third-time following divorce or the death of a spouse – or even marrying later in life for the first time. Several issues require considerations when this happens, including whether your soon-to-be spouse has any debts, what kind of financial goals he or she has, as well as ongoing obligations from previous relationships.

There are usually more prenuptial agreements in second marriages than first marriages because people come together with their own assets and responsibilities to their own children. A marriage contract and properly drafted will are especially important in these situations as it sets out how assets will be divided if you and your spouse separate or one of you dies.

Insurance and estate planning are important for second and subsequent marriages. If you become disabled, having the right kinds of insurance will ensure income for the second spouse and also maintain financial obligations to children from a first marriage.

Living together

More people than ever are opting to not get married – officially – and choosing to live together instead, accounting for about 17 per cent of all family units. Provincial laws vary and what is common law for insurance or tax purposes might differ from the family-law definition applied by the provinces and territories. It's important to understand the laws in each jurisdiction.

A common-law marriage is an informal relationship that does not require the legal form of a statutory marriage. However, through the lens of Canada's Income Tax Act, common law partners get treated the same as married couples.

Many people sometimes find themselves in a situation where they misunderstand the tax and financial implications of being in a common-law relationship. Read my TaxLetter® article from June 2017, "Common Law, Uncommon Considerations."

Take the case of a young dentist who has been practising for a few years and already owns his own home. Both he and his girlfriend decide she will move in with him. The dentist, who is earning $300,000 a year, continues to pay for the cost of the house, owned in his name. His girlfriend, making about $30,000 a year, contributes about $500 a month.

If that relationship breaks up, it's very difficult to determine who gets what. A cohabitation agreement make sense for both parties.

Whether cohabitating or getting married, you need to trust your partner and 'be on the same page' – with shared goals. If you can't trust your future spouse now, you will have bigger problems in the years ahead.

When in doubt contact a trusted and experienced financial advisor who can help put you at ease.

When it comes to getting married, there is always a honeymoon period. It is my sincere hope that a happy and harmonious relationship continues for many years, but we all know from experience that unforeseen difficulties arise in life.

To get the financial peace of mind you deserve, begin with advice from an impartial and experienced Certified Financial Planner. Contact us for help. Our advisors are available to help you across the country.

If you are uncomfortable bringing up any of the subjects discussed here, ask your advisor (in advance) to bring it up the next time you meet together. He or she will explain the laws of the land in your particular jurisdiction, to ensure you both know the ground rules on potential issues. The rest is up to the two of you, happily ever after. ❏

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He guides successful business owners, who are already challenged for time, through the complex process of ensuring the people and organizations they care about are taken care of.
If you are like his other successful business owner clients, you are looking to reduce your tax obligations, preserve your wealth and leave a legacy. Incompletions rob us of energy. Mark collaborates with your professional advisory team to achieve your desired outcomes. His approach is simple. He makes sure what is important to you gets done. He gets you organized, provides a big picture view of your financial affairs, determines your strategy and helps you take action. He will simplify the complicated, so you and your family can rest easy. He can be reached at 416-364-2929, toll-free at 1-866-566-2001 or Mark@WEALTHinsurance.com.
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