BLBB Advisors
FINANCIAL GUIDANCE SINCE 1964™

60 Years
JUST GETTING STARTED

August 2024

The 'Happily Ever After' Financial Plan:

Let's face it. When it comes to wedding planning, there's no shortage of decisions to be made – from venue selection and guest invitations to choosing the right dress, flowers, menu, and music. But there are also several financial decisions you and your future spouse will need to consider and discuss – whether it's your first trip to the altar or whether one or both of you have previously been married.

You and your future spouse may be entering the marriage with very different financial values, behaviors, attitudes, assets and debts. So careful planning and a lot of open, honest, and ongoing communication will be critical to ensuring your continued long-term financial health.

Where should you begin? By focusing on the following important actions and considerations you will gain better insights into each other's financial goals, behaviors and tendencies which can serve as the foundation for a plan that you and your spouse can both adhere to.

Start by building an integrated team

One of the most impactful steps you can take is to assemble a trusted team of financial, legal and tax advisors – working together on your behalf. Make sure these professionals take time to sit down and get to know both you and your future spouse's needs, goals and concerns. And make it a condition of working with you that your advisors commit to communicating effectively not only with you and your spouse, but with each other as well.

Disclose your assets and liabilities

Before making any sort of long-term financial plan, it's important to know exactly where you both stand today. The best way to do this is by creating a personal financial statement that shows all of your personal assets (e.g., financial accounts, real estate, personal property, trust assets, etc.) as well as all of your outstanding debts (e.g., student loans, auto loans, credit card balances, etc.).

If there's a major disparity in the assets or debts you both bring into the marriage (especially if one of you has children from a previous marriage), you may want to consider a prenuptial agreement that spells out exactly how your assets will be divided in the event of divorce or death. Rather than reflecting a lack of faith in your union, a prenup says you want to be totally open so there's no uncertainty or potential misunderstandings about your financial obligations.

Review your credit ratings/history

As part of your initial joint financial planning, make sure you both request copies of your individual credit reports and credit scores. Review them together and talk about whether you should continue to keep your credit separate or if consolidation makes more sense. Plan to pay off any outstanding debt that either partner is bringing into the relationship – and build it into your monthly budget. You will also want to decide whether to combine credit cards with your partner. Keep in mind that for joint accounts, both parties assume responsibility for any outstanding debt and individual credit scores may impact the creditworthiness of both individuals.

Define your long-term financial goals as a couple

Even though it may seem far in the future, now is the time to start talking about your vision for an ideal retirement and find shared goals you can both work towards. If you think you may have future plans for furthering your education or want to help fund someone else's educational goals, such as a child's, you might consider starting to save money in a 529 Plan account to cover these expenses. Perhaps you see yourself relaxing in a second home in the mountains or at the beach or enjoying time on the water in your new boat. You may also want to consider any charitable causes that are important to you so you can plan to support them.

Create a joint budget and decide how you will handle cash flow

List all your monthly income and expenses and decide whether you will each individually cover certain monthly bills or will instead pool your resources. Not only is budgeting an important step in helping to map out the operating costs of running your household, it helps provide insights into your individual money management styles. Make sure to set aside a little time each month to review, discuss and adjust your budget if any worrisome spending trends arise.

Once you have a budget and an agreement in place, you'll want to address the mechanics of cash flow management. Maybe you each want to retain your own checking accounts to receive direct deposits of salary, other earnings, or trust distributions and gifts – as well as to make personal expenditures. You could opt to divide expenses and pay them individually, or each contribute an agreed upon portion of your income into a household account from which you'll pay all joint monthly expenses.

You might also want to set up a joint savings account to create a fund for major purchases, travel or other expenditures that will benefit both of you. However, be very thoughtful about comingling funds. Once funds are brought together, they become joint property that can't simply be separated again. (*review our 2020 article on this topic*)

Update beneficiary designations and review insurance needs

Over time, much of the wealth you accumulate will likely be held in retirement plans, annuities and/or life insurance policies. The person(s) who receive those assets when you die will be dictated by the beneficiary you name for each account or policy. Keep in mind that you may have named a parent or sibling as your beneficiary when you were single. Also, if you're the beneficiary of a trust, you may hold a power of appointment that gives you some authority to redirect trust benefits to others (such as a spouse) who otherwise would not benefit from the trust. Your beneficiary designations will also need to be carefully coordinated with your estate plan and prenuptial agreement if you have either or both.

Since marriage is considered a major life event, you may have a limited window of opportunity to make changes to your health insurance plans (family coverage on a single plan is usually less expensive than paying for two individual plans). Consider getting life insurance policies to help provide income replacement for your spouse if you unexpectedly died. And check to see if your employer-provided disability insurance is still adequate.

You'll also want to look over your homeowners or renters insurance policy to make sure your existing coverage is sufficient for your combined property and furnishings, as well as update your auto policies to make sure both drivers are covered for any vehicles you plan to share.

Review how your property is titled and start estate planning

There are a number of ways in which property can be owned between you and your spouse including:

- *Separate property* owned in only one name;
- J*oint tenants with rights of survivorship* for property held by both of you and which automatically passes to the surviving spouse;
- *Joint tenants in common* for property where each of you controls what happens to your ownership interest;
- *Payable on death* for investment securities and banking accounts where the owner can designate a beneficiary; and
- *For the benefit of* for property held in trust or custodial accounts.

Your team of trusted advisors can help you decide which ownership structures will be most beneficial for various major assets.

Even though you may not have built a substantial estate yet, there are a number of foundational estate planning steps you should consider taking. These include working with your attorney to create a will and a revocable living trust, as well as a *durable power of attorney* in case you are ever unable to handle your own financial matters, a *health care power of attorney* to name someone (usually your spouse) to make medical decisions on your behalf if you're unable, and a *living will* that explains your wishes regarding end-of-life care.

Lastly, decide on an optimal tax strategy

Marriage may provide you with important tax benefits; from now having the ability to file a joint income tax return to overnight doubling your lifetime estate and gift tax exemption. But you also may need to make some adjustments (e.g., marriage could impact your tax bracket if you are both working, and you will need to file a new Form W-4 with your employer to reflect your changed marital status for withholding purposes). Reach out to your tax attorney to discuss the various tax implications of marriage and what changes you may want to make.

Combining lives and households doesn’t happen overnight. It takes time along with a willingness to listen, compromise, and be flexible. Taking a little bit of time today to sit down together with your BLBB Advisor and begin charting a clear financial roadmap for your future together may help you avoid detours and dead ends along the way.

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