MONEY TALK
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How Late-Life Marriages and Remarriages Require Unique Financial Planning

As the holidays approach, plenty of couples think about marriage. That includes older couples with kids, accumulated assets and debts and previous marriages behind them.

That's why marriages for older individuals require a specific sort of planning. For couples making another effort at marriage, a prenuptial agreement can either set the groundwork for a new and trusting relationship or reveal that money issues may prevent the marriage from working well.

It's actually not the agreement by itself that makes the difference – it's the way the couple gets the agreement down on paper. When two parties sit down to formalize a prenuptial agreement with their respective mediators or attorneys, it requires both sides to make full disclosure of their current financial situation and long-term money goals.

Prenuptial agreements can be considerably more complex for couples making a repeat trip down the aisle. Money issues are not just a matter of full disclosure between two people – in remarriage, they can affect a much wider audience including aging parents, siblings and children and ex-spouses from previous marriages. In some cases, there are sizable business and personal assets gathered before the upcoming wedding day that must be protected.

It is always wise to consult a financial advisor to set the ground rules for this process, though legal documents that hold up in court generally need review by respective family law and estate attorneys.

Here are the primary issues any remarrying couple should discuss ahead of a formal engagement:

Families first: Blended families bring their own financial complications. Indeed, if couples are bringing children from previous marriages into a blended family, it's necessary to establish not only how they will be supported and educated, but also what percentage of the family assets they will be entitled to in case their biological parent dies. There may be alimony and other support arrangements already in place for ex-spouses and children from earlier marriages as well as elderly parents to support. All of these financial requirements need to be understood and spelled out beforehand.

Is there debt? And if so, how much?

The first money conversation should take place at a table with both sides showing their credit reports, savings, investments and debt figures – every dime. Both should start the process of talking about how that debt should be paid off – by the person who accrued it, or by both potential spouses. Couples also need to decide how they will handle debt going forward – jointly or separately.

What about investments?

If so, how will they be handled once the couple is married? Will these investments be held after the marriage is in joint tenancy? Are some of the investments promised to children, ex-spouses or other family members? From a tax or estate perspective, does it make sense to do anything specific with those assets before the wedding? And after the wedding – assuming debt is being dealt with – how will you maximize those investments?

What about company assets?

If one or both spouses run their own companies or partnerships, it's a huge planning priority. That's particularly true if other family members work for their respective companies. Depending on the size and complexity of the operation, some advisors might encourage couples to go through a formal valuation process of those assets to establish a base of wealth going into the marriage. A prenup could spell out who will get future percentages of those assets if the couple splits – this is particularly necessary if the goal is to keep the company in the hands of the founding family.

Handling daily expenses:

This is a universal question in any marriage, the first or the sixth. Couples need to agree on how they'll share accounts and pay bills. The most common option is to create one joint account. Others work with three accounts – one joint and then one for each individual.

What about insurance?

Life, health, home, and disability – all coverage that singles hold separately needs to be reviewed and consolidated to make sure the couples and their families have adequate coverage after the wedding.

What about our estates?

Blended families with means produce a surprisingly complex estate picture. Engaged couples need to begin addressing this need before the wedding. A qualified estate attorney who understands the variety of estate issues affecting the assets, business issues and philanthropic commitments of blended families is a particularly good investment and can work with financial planners, tax attorneys and accountants to create an estate plan for the couple that makes sense and minimizes conflict among heirs.

What about retirement?

Retirement discussions go beyond money. Couples should decide how they want to live in retirement, whether they'll continue to work and what will happen if one or both get sick. This is a particularly important discussion if one spouse is significantly older than the other and may retire years ahead. There needs to be a close look at what retirement assets have been accumulated by both parties and how they'll be shared during the marriage and after the death of one or both of the spouses.

What about our tax status?

It makes sense for couples to consider their tax status before they marry, particularly if there are sizable business or personal assets being brought into the marriage or past tax liabilities. In any event, remarrying couples should involve a tax professional in all pre-marital financial planning.

This column is produced by the Financial Planning Association, the membership organization for the financial planning community, and is provided by Barry L. Dayley, CFP® , a local member of FPA.

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