BLENDED FAMILIES

AND FINANCIAL CONSIDERATIONS

When it comes to finances, keep the lines of communication open.

Mariner WEALTH ADVISORS

Getting remarried is an exciting and challenging time for couples, especially when there are children to consider. While you take the time to figure out living arrangements, family dynamics and schedules, don't forget the financial aspects of a new marriage. A little legwork today can save many heartaches in the future. Some important considerations include the following.

"Discuss your current finances and budget, what assets you plan to share and what should remain separate, and begin to develop an understanding of each other's saving and spending habits, goals and any financial concerns."

Communication is Key

Before getting too bogged down by financial details, have a discussion (or multiple discussions) about your current financial situation, priorities and hopes for the future. Talk about how you hope to provide for each other and what you believe are your financial commitments to your children. Discuss your current finances and budget, what assets you plan to share and what should remain separate, and begin to develop an understanding of each other's saving and spending habits, goals and any financial concerns.

It is also important to discuss any financial obligations you may have to your previous spouse(s), such as custody arrangements, child support or alimony payments, and any accounts for which you are obligated to maintain your former spouse as a beneficiary. You'll also want to review any existing wills, trusts and beneficiary designations to ensure they remain appropriate in light of your new union.

It is often at this stage in the process that couples choose to engage a trusted financial advisor to facilitate the conversation and make it less emotional. An advisor may also bring up additional considerations you may have otherwise overlooked.

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Marital Assets

Choosing how commingled or separate to keep marital assets can be a difficult decision, especially when spouses bring significantly different amounts of wealth into a marriage. However, it's important to understand how assets are legally viewed, and ensure they are titled in a manner in which both spouses are comfortable. Your financial advisor can help register your accounts in a manner that helps ensure assets pass according to your wishes.

For example, an account registered as "joint tenants with right of survivorship" passes assets directly to the surviving account owner, while "transfer on death" passes assets directly to the party named as beneficiary.

Estate Plan

When entering into a new marriage, it is especially important to execute a solid estate plan. Even if your will leaves everything to your children, your spouse may be automatically entitled to a share of your estate, typically one-third to one-half. If you prefer to leave all assets to your children, you will want to specifically state this in your estate planning documents. As you are drafting new documents, be sure they indicate that they supersede any documents drafted with your previous spouse.

Along with monetary assets, you will want to consider any real estate you own. If you plan to live together in your house or move to your spouse's house, it's important to understand what will happen to the home if the owner dies. For example, if you choose to both live in the home you own, but you want your children to inherit the home when you die, putting the house in both names is not an option. If you want your spouse to be able to live there following your death, you may consider documenting in your estate plan that your spouse has the right to live in the home until his or her death, at which point the house would pass to your children.

You may also need your new spouse to sign off on a prenuptial agreement, agreeing to waive his or her rights to parts of your estate. Again, a financial advisor can help navigate the emotional and financial aspects of these issues.

Benefits Status

As you consider getting remarried, be aware that your eligibility for income may be impacted. If you are receiving Social Security benefits from a former spouse, those payments will stop when you are remarried. And, if you are a widow or widower who is remarried before age 60, you will lose the right to survivors benefits from your former spouse. In addition, widows and widowers of public employees, such as police officers and firemen, will lose pension rights should they remarry. The same goes for widows and widowers of military personal killed in duty and survivors of federal civil servants who receive a pension.

If you have children in college who receive financial aid, their eligibility may also be impacted by adding your spouse's income to yours.

Trusts

Establishing trusts can help ensure assets pass to beneficiaries in the manner in which you intended. For a blended family, trusts can be a viable estate planning solution, as they detail specifically who gets what, and they avoid probate, which means assets can be transferred more quickly than through a will.

Trusts are especially effective for blended families, as parents can use them to segregate assets from a previous marriage. Also, a will can be structured to direct assets into two separate trusts, one for children of a previous marriage and one for your spouse or children of your current marriage.

EXAMPLES OF TRUSTS INCLUDE:

- Credit shelter trusts (CSTs) – provide income to the surviving spouse while preserving the deceased spouse's beneficiary designations.
- Qualified terminable interest property (QTIP) trust – provides income for a surviving spouse while distributing underlying assets to beneficiaries, as designated by the deceased spouse.
- Irrevocable life insurance trust (ILIT) – provides insurance policy death benefits to the named beneficiaries that are excluded from taxation and not subject to probate.

Regardless of the financial decisions you make, your advisor is there to help you navigate the challenges of your nuptials and help ensure your loved ones are provided for in the future. For additional information about how Mariner Wealth Advisors can help, please contact us.

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CLICK: www.marinerwealthadvisors.com