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Financial planning tips for happier ever after

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Couple can get caught up in the excitement of planning a wedding, and forget the importance of planning for the future of their marriage. Money can be a major source of conflict in a marriage, so it's important to have those tough conversations and plan ahead.

"One of the most important things that many couples miss in the wedding planning process is looking at the ramifications on their finances. Filing taxes appropriately and having a plan could drastically impact how much this life change will cost you and your spouse," said Michael Smith, a general partner and president of STA Wealth Management in Houston.

Big wedding, happier marriage?

(2:37)

What's the relationship between a lavish wedding party and a long-lasting marriage? The answer may surprise you.

Smith says you need to work out the terms of your financial relationship. Don't just talk about the logistics, but about your attitudes toward money. Ask yourselves: Is one of you a saver and the other a spender? Do you share the same financial goals?

If you find that have big differences in perspective, financial harmony may be hard to find, but it's still possible.

"Consider disclosing all of 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," Smith said.

It's also important to remember that just because you are getting married, it doesn't mean you need to combine all your finances. You may choose to keep separate bank accounts and to pay expenses separately.

Keeping credit separate is also an option. Smith says instead of applying for joint credit cards, each partner can keep his or her own. That way, if only one of you has good credit, that person will have a better chance keeping it. If down the road, one spouse has credit problems, the other's score won't suffer. Separate credit could also protect and free you from obligation if you divorce and your former spouse is in debt.

You may also want to consider a prenuptial agreement. Most divorce attorneys reported seeing an increase in prenuptial agreements in recent years, according to a 2013 survey from the American Academy of Matrimonial Lawyers. With many people getting married or remarried later in life, this should be something to consider if you have built a significant amount of wealth or own your own business.

While it may seem pessimistic to make your financial plans based on the possibility of divorce, the reality is there are around 877,000 divorces a year in the U.S.

Divorce and finances

Steven J. Eisman, an executive partner at Abrams Fensterman in New York, says if you're thinking about getting a divorce, the first financial step is taking inventory. Create a list of all assets. Know what you have in the bank and investment accounts (including both individual and joint accounts) as well as real estate and business holdings. Make note of any assets which you believe are premarital or separate, such as an inheritance or proceeds from a personal injury case.

The next step, Eisman said, is to gather all tax returns and monthly statements on all bank accounts for the past three to five years. He recommends making a spreadsheet of all your monthly expenses and figuring out how these expenses will change after your divorce.

"Understanding exactly what you're working with will better help you prepare for how life will change after the divorce, and how you can put yourself in the best financial circumstances possible," Eisman said.

Meeting with a financial adviser or accountant can be very beneficial during this time. Eisman said people should discuss post-divorce scenarios, how to distribute assets with minimal tax consequences, and gain an understanding of tax liabilities. Couple also want to make sure that all prior taxes have been paid, especially if they have signed joint returns.

Even after the divorce is completed, there are some loose ends to tie up. People should change the beneficiary on bank accounts, retirement funds and life insurance policies. It's also important to immediately update wills and estate plans.

Remarriage and finances

Then there's the second marriage. Financial planning for remarriage is all about making sure couples are protected and knowing how remarriage could affect any benefits they already receive.

"Many people who remarry may be older, or at a point in their life where things aren't as simple with their first marriage with finances and assets," Smith said.

Smith said some people may hesitate to remarry because they are worried about losing their Social Security or pension benefits. But, he said, that is usually not the case.

One exception is for widow receiving survivor's benefits from a spouse's service with the military or federal government. Then it becomes more complex and they stand to potentially lose those benefits. Always, always check to see how benefits will be affected and get the response in writing.

A widow or widower could health benefits if they are receiving them through their deceased spouse's retirement health care plan. For some individuals, this could have severe financial consequences. "Losing your health benefits when you remarry may be a big concern if you have an existing condition and can't buy medical coverage from an employer or if you're not old enough to qualify for Medicare," Smith said.

So, even if love is blind, make sure you go into marriage or remarriage with both eyes wide open to any potential financial issues. Planning ahead will help in creating a happier ever after.

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