



Planning for your financial future

for LGBTQ couples and singles



EQUITABLE

Retirement needs a plan

The median savings for:

same-sex
couples

\$66,000

straight married
couples

\$88,000

Source: Federal Reserve's Survey of Consumer Finances;
the AP-NORC Center for Public Affairs Research, 2014.

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A new world of opportunity for couples who choose to marry

Your financial future in your grasp

When the United States Supreme Court affirmed the constitutional right for same-sex couples to marry and thus gain equal rights in the eyes of the law, gay and lesbian couples also gained an opportunity to improve their financial stability. Marital status impacts how much you pay in income tax, how much your estate will pay in taxes and how much you as a couple will have to live on in your retirement.

That said, many same-sex couples do not intend to marry.

Whether or not you have formalized your union with marriage, you need to plan for your financial future together.

Gay and lesbian couples have unique financial issues

Many of the federal benefits and safeguards granted to opposite-sex married couples may be available, but unique estate, tax and financial needs may apply to your particular situation.

Discuss your goals with your financial representative, then take steps to plan for:

Preserving your assets

Funding education

Providing for your retirement

Planning for long-term care

Minimizing estate taxes

Investing today for your future

Same-sex couples are thinking more about money and planning for the future

81%

of LGBTQ Americans see getting married as a big financial decision

89%

say it's important to evaluate the financial implications of getting married before doing so

Source: Versta Research online national survey in April 2015.

Estate conservation strategies

Intestacy laws vary from state to state, but generally they dispose of assets through bloodlines or marriage.

Wills, trusts and other legal instruments may help you preserve assets

Whether you are single, in a domestic partnership, married and/or a parent, you have surely given some thought to what you would like to happen at the end of your life. By working with your attorney, tax advisor and financial professional, you can develop a strategy to address distribution of assets, estate taxes, wills, advance directives, priority of hospital visitation and guardianship of children.

Before creating a strategy, however, it's important to understand a few basics about the transfer of an estate

Federal law currently entitles a U.S. citizen surviving spouse to inherit a deceased spouse's estate entirely free of estate tax, under the unlimited marital deduction (U.S. Code § 2056). Non-spousal beneficiaries, including the surviving partner in a domestic partnership or a partner in a civil union, do pay federal estate tax on amounts in

excess of what is called the exclusion amount, which in 2019 is \$11.4 million per individual (Rev. Proc. 2018-57). The exclusion amount is indexed to inflation and applies to any gifts the decedent made in their lifetime added to the net value of the estate. After 2025, the exclusion amount is set to revert to 2017 levels, indexed for inflation.

Federal law and state law

Since the Supreme Court's 2013 decision in *United States v. Windsor*, overturning Section 3 of the Defense of Marriage Act (DOMA), marriages between same-sex couples are recognized for purposes of all federal laws. However, civil unions and domestic partnerships under state law are not recognized when applying for the marital benefits conferred under federal law, e.g., federal estate and gift taxation, federal income tax filings, succession to Social Security benefits and ERISA pension benefits, and the favorable income-deferred options afforded by federal tax law to a legally married couple.

Dos and don'ts regarding wills

If you die without a will (intestate), state intestacy laws will determine who inherits. The rules vary from state to state, but generally they dispose of assets through bloodlines or marriage. A last will and testament will generally protect a same-sex couple against intestacy and allow you to specify how assets will be distributed. Note, however, that your will may be vulnerable to challenges brought by your family or other relatives, who can benefit from intestacy laws if the will was not accepted by the local probate court.

To protect yourself to the fullest extent possible, **do** write a will and have it executed while you are fully competent. **Don't** allow your partner to be one of the witnesses at the execution of the will.

Build on your assets

Property held in trust is given special status outside probate

Trusts and life insurance

A trust is a legal arrangement wherein one person holds title to property subject to an obligation to keep or use the property for the benefit of another. A trust is formed under state law. A living trust can be used to transfer assets and avoid probate. With a living trust, you can designate yourself as the trustee and your partner as successor trustee. In the event of your death, if you have stipulated so within the trust, your partner will have full control over the assets held in trust. It is prudent to also include written confirmation of your intentions as part of the trust document.

Certain types of trusts can be used to help reduce or defer taxes on high-value assets such as a life insurance policy. An attorney can help you understand the role trusts can play in your estate plan. One possibility is to use an irrevocable life insurance trust (ILIT) to exempt the policy from your estate. You would name the trust as the beneficiary on the policy and your partner as beneficiary of the trust in order for them to receive the insurance proceeds, but not as part of the estate.

You have capital to protect — and build on

The median household income with both partners in the labor force:

same-sex couples

\$94,000

heterosexual couples

\$86,000

Source: The Williams Institute on Gender Identity Law and Public Policy at UCLA, 2014.





Just in case

Put insurance and legal documentation on your checklist

Preparing for your future means considering all your eventual insurance needs. Life insurance can provide for your partner and your children if you are not able to do so. Disability income insurance can replace part of your salary if you are unable to work. Most financial professionals suggest having from 3 to 6 months' living expenses in savings to help tide you over during a job loss or illness.

Naming your partner to make financial and medical decisions

Although wills and trusts are useful for conserving your estate, they do not provide contingency plans for assets or medical decisions should you become incapacitated. A durable power of attorney and healthcare proxy are the legal instruments you need so you can predetermine who will make decisions on your behalf.

State laws vary on how powers of attorney and proxies should be worded. It may be necessary to specify powers in detail. Some third parties, such as hospitals or hospices, require the use of their own forms. In the event of a hospitalization, visitation rights for your partner may not be guaranteed by the state. So be sure that your healthcare proxy sets forth priority of visitation.

The durable power of attorney and healthcare proxy allow you to appoint someone to make financial and medical decisions on your behalf. A living will goes one step further, allowing you to spell out your preferences regarding the giving or withholding of life-sustaining treatments or procedures. In an advance healthcare directive, you specify who can initiate life-sustaining treatments, potentially avoiding uncertainty on the part of your partner and family members, as well as their feelings of guilt. As with other legal issues, check the requirements in your state.

Providing for children

Couples with children may need additional estate strategies. A parenting agreement may help protect both partners' rights. Strengthen your legal position with a step-parent or second-parent adoption. Any of these legal documents can record each partner's financial and emotional support of the child. You should also prepare for the possibility your children might need a guardian. Choose a trustworthy individual who is able to provide both the financial and emotional support the children will need.

Starting a family

Help make your future secure, based on today's decisions

Raising a child is a tremendously rewarding experience. The initial expenses can be steep, but are likely something you have already considered. “Hidden” expenses may include additional clinical care and hospital charges. Your health insurance may or may not cover any costs relating to in vitro fertilization or surrogacy. Also consider that you may need to realign your household budget so you have cash to cover child care expenses, or, if one of the parents will become a stay-at-home parent, the loss of income.

If you are planning on adopting, check if the state where you reside permits a legal adoption by couples who are not legally married. Get a good family law attorney to work with you and your partner.

As mentioned in the previous section, don't neglect to create a legal instrument to provide for your child's guardianship if you and your partner should die. Absent a document setting up custody, the courts may not act according to your wishes. You should also make sure your wills specify your child as a beneficiary; intestacy laws may not protect your child if either you or your partner dies without a will.

Sharing your love with a child adds another dimension to your relationship with your partner, but don't neglect to think through the financial and legal implications before you embark on parenthood. You may, for instance, need additional life insurance to protect your family's income in the event of one partner's death.

Education funding

With a plan, you can put aside the money for future needs

Providing for a child's education is one of the greatest responsibilities of raising children. With college costs rising each year, no doubt you have already wondered how you will fulfill this obligation. Continuing your own education may also be in your sights. Sitting down with your financial representative, as well as a tax professional, is the first step in devising a strategy and building an education fund. The sooner you begin, the more time your money will have to accumulate.

Tuition and fees — undergraduate students

4-year college, in state

2018-2019

\$10,230 per year

Estimated cost of a 4-year degree enrolling in 2019

\$46,300

Estimated cost of a 4-year degree enrolling in 2037

\$106,300

Source: The College Board.

Retirement

A few caveats about Social Security

Retire on your terms. Is that your dream? Make sure you understand any exclusions in the various income sources you expect to use. Social Security does not extend the full benefits married couples enjoy to unmarried couples. If you are married, you and your partner qualify for both spousal and survivor benefits. But if you are not married and you die before receiving any benefits, your surviving partner will receive no benefits from this important source of retirement income.

A qualified financial professional can help you make informed choices for your future.

Social Security claiming decisions can be complicated

If you have married recently, make sure you revisit the documents you filled out under your old single status. Single, in a civil union, a domestic partnership or married, you need good advice to maximize your retirement nest egg. Your financial professional is knowledgeable about retirement decisions and strategies to help keep income flowing. They can answer your questions about the best time for you to begin collecting Social Security benefits.

If you participate in a defined contribution retirement plan, such as a 401(k), you or your employer or both contribute part of your salary. You can generally choose to designate your partner as your beneficiary. On the other hand, a defined benefit plan may not always allow an unmarried

partner to be the legal beneficiary. Also known as a pension plan, the defined benefit plan promises a specified monthly benefit at retirement. If you die before you retire, your surviving partner may not receive any benefits. The same may be true for a noncontributory defined contribution plan (the type of plan where only your employer contributes). A qualified financial professional can help you make informed choices for your future.

Personal savings can be the largest component of your retirement savings plan. Your financial professional will help you structure a savings program that takes advantage of tax-deferred instruments – an Individual Retirement Account (IRA) – annuities or other tax-advantaged vehicles to accumulate your assets.

Older LGBTQ individuals fear outliving their savings

surveyed LGBT adults, age 45-75

42% are “very or extremely concerned” they will live longer than their savings for retirement

heterosexuals

25% say they share the concern they will live longer than their savings for retirement

Long-term healthcare

U.S. life expectancy has been extended

It's been called one of society's greatest achievements: that in less than a century, our chance of living to a ripe old age has gone from 50/50 to almost a given. But with that longevity comes the worry of outliving our assets — and our physical and mental soundness.

Long-term healthcare insurance

Make decisions on insurance coverage and buy a policy now while you are healthy. Premiums will generally be lower. Your financial professional can help you decide what you need.

Making decisions about long-term healthcare can be multifaceted. Consider this: You may be the sibling on whose shoulders the majority of the burden of care for your parents lands.

LGBT caregivers give more care

LGBT

36 average number of hours per week LGBT people care for a loved one

heterosexuals

29 average number of hours per week the general population cares for a loved one

Source: American Society on Aging/LAIN (LGBT Aging Issues Network) 2010 study.

Elder care

In America today, Medicare is the primary insurance of most Americans over the age of 65 ([census.gov/content/dam/Census/library/publications/2015/demo/p60-253.pdf](https://www.census.gov/content/dam/Census/library/publications/2015/demo/p60-253.pdf)), but its long-term care benefits are limited. Medicare covers up to 100 days of skilled nursing care after hospitalization ([medicare.gov/coverage/skilled-nursing-facility-care.html](https://www.medicare.gov/coverage/skilled-nursing-facility-care.html)). Beyond that, you/your parent may have no coverage for the expense of custodial care. Medicaid is a program that may provide some long-term care benefits; however, individuals must spend down their personal assets and meet federal guidelines to qualify. More details can be found at [medicareinteractive.org/get-answers/programs-for-people-with-limited-income/medicaid-and-medicare/which-medicaid-programs-might-i-qualify-for-if-i-have-medicare](https://www.medicareinteractive.org/get-answers/programs-for-people-with-limited-income/medicaid-and-medicare/which-medicaid-programs-might-i-qualify-for-if-i-have-medicare)).



Investing

Some additional thoughts about building your financial future

A secure financial future is something you and your partner can strive for. Today's spending levels — and saving levels — will be reflected in the reserves you are able to build. Talk to your financial professional about potentially reducing the amount of debt you carry, improving your credit score and minimizing taxes through the use of tax-free or tax-deferred investments.

Your retirement may be decades off or it may be around the corner

Your time horizon and your tolerance for risk are key topics your financial professional will discuss with you. Through selecting diversified assets, you may develop a portfolio that seeks to keep pace with inflation and helps move you and your partner toward your long-term goals, but be aware that although diversification and asset allocation are important strategies, they do not guarantee a profit or protect your funds in a declining market.

Working with a financial representative

An atmosphere of mutual respect

Only you can make the entire range of decisions that can help give you security in the future. If you have a partner in life, they will participate in those decisions, but having those conversations can sometimes be hard. The right financial representative can guide you through this process, answering your concerns and presenting various strategies to help you accumulate your assets.

The choices and decisions you make will help to ensure:

Your estate
is protected

Your assets are
distributed according
to your wishes

Your children and
parents
are cared for

You and your partner
face retirement with a
sense of security





The right time to start is now

As a member of the LGBT community, you have many more opportunities than you dreamed of even 5 years ago. Let us help you plan for a secure financial future so you can flourish in your life. Contact us today to set up a no-obligation meeting.

Why Equitable?

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