Planning Basics for Newlyweds and Engaged Couples

With the holidays behind us and Valentine's Day on the horizon, 'tis the season for engagements and weddings. If you've recently said "I do" (or have plans to tie the knot), this checklist is designed to help you and your spouse start your life together on the best financial footing.

Have a heart-to-heart about money. The first step to wedded financial bliss is to sit down with your partner and talk openly about your finances and future plans. No matter how much you think you know about each other, this is a great way to ensure that you're on the same page—and avoid future surprises. Key questions to discuss include:

- What are your current assets? Is either of you set to receive an inheritance?
- What are your plans for ongoing earnings? Will one of you be a stay-at-home parent?
- Are you bringing any debts into the marriage?
- What are your financial goals as a couple? For instance, do you hope to buy a home, save for a child's college education, or pay off debt?

Make or update a will. If either spouse already has a will, it's essential to update it following your marriage. Otherwise, your new spouse will automatically get the same share of your estate as if a will weren't present, unless you have a prenuptial agreement or specifically stated in your previous will that you intend not to mention a future spouse.

Revisit your beneficiary designations. If you have bank or brokerage accounts that allow for beneficiaries, such as transfer on death or IRA accounts, be sure to update the beneficiary information to include your new spouse. (For employer-sponsored plans, your spouse may have to provide consent if you choose to name someone else as your primary beneficiary.) In addition, you'll want to review the beneficiary designations on any existing insurance policies.

Update property ownership. When they marry, many couples change the ownership status of their bank accounts, brokerage accounts, and real or personal property to joint tenants with rights of survivorship. Doing so will allow your spouse to avoid probate proceedings in the event of your death.

See if you can save on insurance. It's likely that you and your spouse will have some overlapping insurance coverage. For example, if you've combined households, you will be able to drop one renter's or homeowner's policy. Or, if one spouse has better (or more economical) health benefits, it may make sense to add a spouse to that plan and cancel the other one. This is also a good time to review your long-term disability and life insurance policies to ensure that you have sufficient coverage.

Don't forget about taxes. In addition to combining households and families, a marriage combines the incomes of each spouse. It's important for couples to look at their combined net worth and the effect that may have on their tax bracket. The first step is to determine if you will file jointly or individually. Most couples will end up filing their taxes jointly. If doing so will push you into a higher tax bracket, tax planning becomes essential. You may want to consider charitable giving or trust options to potentially reduce your tax burden.

Check your state's marital property laws. Does your state treat marital property as community or separate?

- In **community property states** (Arizona, California, New Mexico, Nevada, Idaho, Washington, Texas, Wisconsin, and Louisiana), all property acquired from the date of marriage to the date of separation is considered owned by the "community" of the marriage. This includes debts, wages, rents, profits, real and personal property, and even intangibles such as professional degrees and goodwill in a business. The only exceptions are property gained by gift or inheritance.
- In the remaining **"common law" states**, property is treated as separate: the spouse whose name is on the title, or the spouse who purchased the property, is the owner. If you and your spouse are married in (or may end up in) a community property state, you may wish to consider a prenuptial agreement to specify community versus separate property.

Make your new name official. If you're changing your name, you'll need to update your driver's license and social security card for identification purposes and so that social security can be properly credited to you. More details are available on the Social Security Administration's website.

Happily ever after

Certainly, these tips are only first steps in planning your financial future as a married couple. We're happy to help you delve deeper into any of these topics or to discuss other issues that may arise as you start out on your life together. During this exciting time, you're likely focused on planning your ceremony or setting up your new household, but remember that a strong financial foundation is one of the best wedding gifts you and your new spouse can give yourselves!