

11 Important Financial Planning Tips When Remarrying

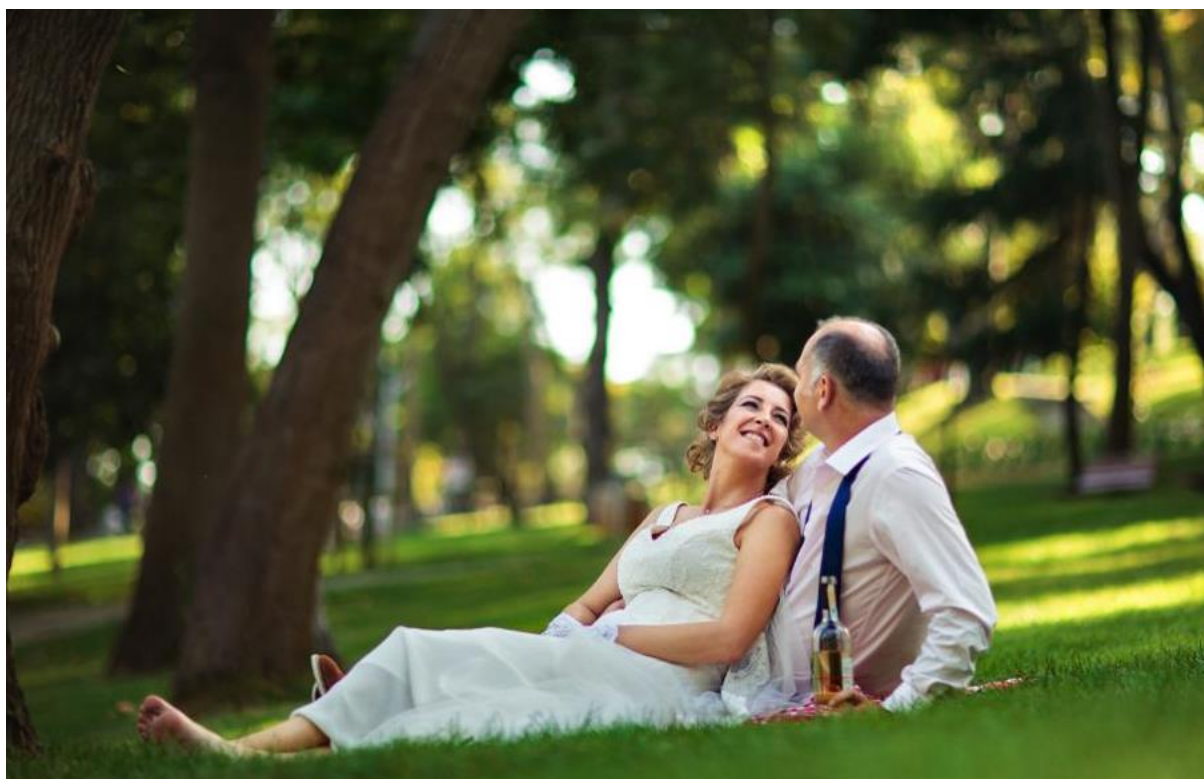


Mark Avallone, CONTRIBUTOR

I help people on their path to Financial Freedom. [FULL BIO](#) ✓

Opinions expressed by Forbes contributors are their own.

Frank Sinatra famously sang “love is lovelier, the second time around”. It is understandable that when love strikes again you may want to avoid the buzzkill of talking about money and finances. But planning before you tie the knot can prevent marital spats later. [And with 67% of second marriages ending in divorce](#) planning makes even more sense.



This area of financial planning is a combination of technical and emotional considerations and there is definitely no ‘one-size-fits-all’ solution. Every couple has a unique financial situation and there will be nuances specific to you. For example, a couple with few assets faces a different landscape than a couple who has achieved financial success. And if there are children, how to handle education expenses can be a thorny issue.

Oftentimes those who remarry, [especially at an older age](#), have accumulated some wealth. So, here are 11 tips that make sense when two affluent individuals agree to remarry.

Be honest about your financial situation. It is important to make full disclosure about your personal financial situation including your assets, debts, credit history and any financial support you may be required to provide. It's also wise to share what you may lose by getting remarried (e.g., the end of any alimony).

Communicate your desire to support children, friends, or an aging relative. Don't assume that just because you are doing a 'good thing' it will be ok to continue to pay the expenses of an adult child or an elderly relative. While these may seem meritorious, it is also fair to discuss why your money may be going outside of your marital dyad while their income is paying the mortgage and utility bills.

Open a joint checking account. After your wedding, a practical way to unify your life together is having a joint checking account. You can automatically deposit your paychecks into this account and use it for your living expenses as well as for fun purchases and vacations.

Account for differences in income. Rarely will two people have the same income or ability to contribute. So, establish a mutual understanding ahead of time on the amount of each person's commitment. If the income disparity is huge, then each paying 50% of the expenses could wind up being a burden on the relationship.

Have monthly planning meetings and pay your bills together. At least for the first few years, sit together monthly and pay your bills, review your automatic payments, and discuss your investments. Be sure to share your thoughts and fears and have an open dialogue. Not talking about money and avoiding these conversations can lead to bigger problems later.

Have a written plan on how to pay for education. Write down a strategy on how to pay for any private elementary, secondary, college and even graduate school. For example, a partner who has already paid for his or her children's college may not feel good about watching joint assets pay for their stepchildren's education. Therefore, it makes sense to agree to a plan and consider using pre-marital assets, if available, to pay education expenses.

Establish a "Yours, Mine, Ours". Some individuals may want to have joint assets while also maintaining individual ownership of pre-marital assets. Erin L. Kopelman, a divorce attorney with Lerch, Early & Brewer, suggests to "have a plan to keep your pre-marital assets separate and titled solely to you; do not co-mingle them with other assets so you can clearly identify what assets are pre-marital. Depending on the jurisdiction, such assets may be protected from distribution in divorce. However, it's always best to also have a pre or post nuptial agreement confirming your intentions."

Consider a pre-nuptial agreement. When love is surrounding your brain, you may not feel the need to protect your pre-marital assets. But if cupid's love dust begins to evaporate, having a 'pre-nup' may prove to be wise. Kopelman explains that "pre-nuptial agreements allow a couple to determine how assets, whether acquired in the past, present or future will be distributed, alimony and spousal support, and allocation of debts in the event of divorce or death." This clarity can reduce the potential pain of future divorce for you – and any children.

Set up revocable trusts for pre-marital assets. A trust can determine how assets are directed during or after life. Some may consider this a devious way to keep assets away from the new

spouse, but it is more likely a way for you to protect your children and any financial expectations they may have. Few things will destroy family unity more than the thought of a step-parent cutting children out of a justifiable inheritance. According to Kopelman, “estate planning in conjunction with a pre or post nuptial agreement can ensure your assets will be distributed how you desire.”

Consider life insurance to equalize your estates. If one person will likely transfer sizable sums to their children and the other will not, this could be a cause for tension. Life insurance can help ‘equalize’ the estates at a reasonable cost (depending on age, health, and other factors). Before embarking on this strategy, carefully select an ethical advisor to guide you. Also, in a show of unity, consider having both partners contribute to the cost of the policy.

Jointly hire a financial adviser. By jointly signing the planning engagement paperwork, the advice has to be given to the couple and not favor either party. Keep in mind that financial planning is regulated by the SEC and an adviser who gets paid to give advice is a fiduciary bound by the terms of the financial planning agreement.

Each of these steps takes time and some can be complex. And while financial planning may not seem romantic, in the long run it might help sustain the relationship and avoid unpleasant conversations later.

Contributor’s Bio

Mark Avallone is the author of Countdown To Financial Freedom, and founder and President of Potomac Wealth Advisors, LLC a financial advisory firm serving clients through holistic financial planning and wealth management. Avallone writes on a variety of financial topics, and his contributions have appeared in the Wall Street Journal as well as in Forbes where he is a regular contributor. He has appeared on CNBC and has been a repeat guest on the Fox Business Network. His insights have also appeared in USA Today, U.S. News & World Report, The Washington Post, and other leading publications.

Securities and advisory services offered through Commonwealth Financial Network®, Member www.FINRA.org/www.SIPC.com, a Registered Investment Adviser. Fixed insurance products and services offered through Potomac Wealth Advisors, LLC or CES Insurance Agency. 15245 Shady Grove Rd., Suite 410, Rockville, MD 20850