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## 4 questions unmarried couples should ask about money

By Matt Alderton and Jeff Herman September 16, 2015

Although they haven't exchanged vows, many unmarried couples make a commitment to love, honor and protect one another financially. Asking a few money-management questions now, including how they will share finances, who will pay the bills and how to plan for death and taxes, can help couples avoid financial troubles down the road.

"The first conversation we had when we decided to live together was about money," says Kathy Coman, of Columbus, Ohio, who recently moved in with her boyfriend of seven months. "It wasn't a romantic conversation, but it was really important because finances are one of the biggest causes of relationship issues."

Coman is right: Money is the leading cause of stress in relationships, according to a 2015 survey of people in relationships by SunTrust Bank, which found that 35 percent of people experiencing relationship stress cite money as the primary cause.

And the number of unmarried couples is growing fast. Nearly 12 percent of couples living together are unmarried, according to the U.S. Census Bureau, which found that the number of cohabiting unmarried partners in the United States has increased nearly 170 percent in the past decade.

"Most unmarried couples don't have the same legal rights as most married couples do," says Kassi Fetters, owner of Alaskabased Fetters Financial Services. "So if you want to protect yourself, you can't rely on the law; you have to do it yourself."

Whether you plan to get married someday — or have decided that you never will start by with "popping" the following financial-planning questions to yourself and your partner:

#### 1. How will we manage our money?

Every couple must determine at the outset of cohabitation who is responsible for paying which expenses.

"It's important to have money conversations with anybody you're financially entwined with," says Atlanta-based financial planner Tana Gildea, author of "The Graduate's

Guide to Money: Tools for Starting Your Financial Journey on the Right Foot." "You have to talk about who is paying for what and what happens if bills aren't getting paid, because at the end of the day you have a responsibility to a household whatever that household looks like."

Some couples decide to pool their money in a joint account. Others decide to keep their money separate. Still others take a blended approach, maintaining individual accounts while each contributing to a joint account that's used for shared expenses.

"When the decision was made for my boyfriend to move in with me," Coman says, "the first thing we did was sit down to review the bills that came within the last three months. We then took the time to examine both our pay stubs.

"From there, the determination was made for one to pay the mortgage while the other paid the utilities. Any other costs such as groceries or home repairs would be split down the middle," explains Coman. "Now, if something happens down the road, we can go back to the conversation that we already had in the beginning, which hopefully will reduce conflict between us."

### 2. What happens if one of us dies?

When you're married, your assets typically transfer to your partner. Not so when you're unmarried. To protect your partner, therefore, you'll need to make special arrangements to ensure they can remain in your home, continue paying bills, etc.

"If you want your non-married significant other to get your stuff, you have to take action because the law won't recognize that person as the rightful heir to your worldly goods," Gildea says.

Although a will typically is the best tool for bequeathing assets, there are other options that avoid the hassle of probate, Gildea says. Retirement accounts, for instance, are payable to whomever you've named as a beneficiary. In some states, you can also name a beneficiary for bank and investment accounts by adding to them a payable-on-death (POD) designation.

You may be able to transfer vehicles and real estate in a similar manner, if your state allows it. If you consider your partner a joint owner, for instance, you can change the title on the property to indicate his or her "right of survivorship," which ensures the title transfers to them upon your death. If you don't consider your partner a joint owner, but want assets to transfer after you pass, you may be able to name a transfer-on-death (TOD) beneficiary for your home or vehicles, allowing you to retain sole ownership of assets while you're alive.

Don't forget life insurance, which will pay benefits to your partner as long as they're your designated beneficiary. "If there's debt on a home or cars, and you want to make sure your significant other can pay it off if something happens to you, group life insurance through an employer is a great way to do it because it's usually not very expensive," Gildea says.

# 3. What if we break up?

When married couples split up, divorce ensures they do it in an equitable manner. Unmarried couples are entitled to no such equity — unless they make arrangements by

signing a "cohabitation agreement," which is essentially a prenuptial agreement minus the "nuptial."

"You can go to a lawyer's office or write it yourself," Fetters explains. "Either way, it's basically a document that says, 'If we break up, this is what's yours and this is what's mine.' Write it down, sign it and get it notarized; that way, if you break up and your partner contests it, you can go to court and prove what you both agreed to."

# 4. How can we help each other?

Although unmarried couples aren't entitled to the same tax benefits as married couples, they can still collaborate on tax strategies.

"For example, if you both own your house, only one of you can deduct the mortgage insurance from your taxes. You need to work together to decide who would benefit from the deduction the most — usually whoever has the bigger income," Fetters says.

The annual gift tax exclusion is another opportunity. "The government allows you to gift up to \$14,000 per year to anyone on the planet with no tax implications," explains Gildea, who says partners can leverage this allowance to tackle shared financial goals — like paying down debt or saving for retirement — in a tax-efficient manner. Instead of investing \$5,000 in the stock market, for instance, you might consider gifting it to your partner; if they're in a lower tax

bracket than you, they can invest the money in a similar manner but will be taxed on capital gains at a lower rate. "The pitfall is: You have to be willing to part with the assets in the event that you split, because a gift is a gift forever," Gildea says. Happily ever after?

Although talking about money is no honeymoon, asking these questions is one way to ensure wedded bliss — even if there's

never a wedding. Tags: family, finances, marriage, money, unmarried couples

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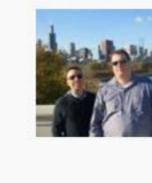
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