



# FINANCIAL *Planning Strategies*

A Financial Planning Update

## Unmarried Couples: Treading the Tricky Waters of Pooled Finances



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Crafting Custom Strategies for your Financial Future

For a variety of reasons, many couples, regardless of age, may find themselves living together for a period of time as unmarried partners. If you find yourself in this situation, it's important to make conscious decisions about how to handle personal and household finances because unmarried partners lack many protections the law extends to married couples. If you and your partner pool your financial resources, there are no divorce courts, laws, or uniform legal guidelines to separate your combined assets if your relationship ends. So before wading into this uncharted territory, it's worth taking a moment to consider the following questions:

- If you and your partner merge your finances, will this be limited to household expenses, or will you share income, as well?
- How will you share household bills—equally or according to each partner's income or use?
- Will you hold joint checking and credit card accounts?
- How will you handle retirement planning for the long term?

### Treading Tricky Waters

Joint bank and charge accounts may carry some drawbacks for unmarried couples. Each partner is fully responsible for the *entire* amount of any *joint debt*.

Creditors can seize funds in a joint account to satisfy one partner's debt. And, if one partner depletes the funds in a joint account, or fails to pay for his or her credit card charges, this could damage the other's credit rating.

As an unmarried partner, you also face unique difficulties when it comes to retirement planning, since you may be ineligible for two key sources of retirement income that many spouses depend on—spousal benefits from both Social Security and defined benefit pension plans.

Before combining your finances, it's a good idea to have a candid, in-depth discussion of your financial values and goals. Only by addressing these issues honestly, will you have a solid basis for making financial decisions.

### An Ounce of Prevention. . .

Before opening a joint checking account, select one that requires *both* signatures for withdrawals. Have a clear understanding of what expenses the funds will cover. Keep detailed, up-to-date records of the contributions you each make toward shared expenses, otherwise verification of these contributions may be difficult, if the relationship ends. And, if you do part company, close all joint bank and credit card accounts as opposed to just dividing them up.

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