YOUR FINANCIAL FUTURE

Strategies for Managing Your Assets

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Marriage and Your Finances

Marriage affects your finances in many ways, including your ability to build wealth, plan for retirement, plan your estate, and capitalize on tax and insurance-related benefits. State and federal laws on these subjects provide default positions. Some of these baseline conditions can be modified by a prenuptial agreement, a contract that permits a couple to keep their finances separate, protect each other from debt, and take other actions that could limit the rights of either partner.

Building Wealth

If both you and your spouse are employed, two salaries can be a considerable benefit in building long-term wealth. For example, if both of you have access to employer-sponsored retirement plans and each contributes $18,000 a year to a 401(k), as a couple you are contributing $36,000, far in excess of the maximum contribution of an individual ($18,000 for 2015). Similarly, a working couple may be able to pay a mortgage more easily than a single person can, which may make it possible for a couple to apply a portion of their combined paychecks for family savings or investments.

Retirement Benefits

Some (but not all) pensions provide benefits to widows or widowers following a pensioner's death. When participating in an employer-sponsored retirement plan, married workers are required to name their spouse as beneficiary unless the spouse waives this right in writing. Qualifying widows or widowers may collect Social Security benefits up to a maximum of 50% of the benefit earned by a deceased spouse.

Estate Planning

Married couples may transfer real estate and personal property to a surviving spouse with no federal gift or estate tax consequences until the survivor dies. But surviving spouses do not automatically inherit all assets. Couples who desire to structure their estates in such a way that each spouse is the sole beneficiary of the other need to create wills or other estate planning documents to ensure that their wishes are realized. In the absence of a will, state laws governing disposition of an estate take effect. Also, certain types of trusts, such as qualified terminable interest property (QTIP) trusts and marital deduction trusts, are restricted to married couples.

Tax Planning

Depending on your individual income levels, filing federal income taxes as a married couple may result in higher or lower tax liability as compared with when you each filing singly. Keep in mind that when you are married, you must file as married. Only if you are not married may you file as single or head of household.

Debt Management

In certain circumstances, creditors may be able to attach marital or community property to satisfy the debts of one spouse. Couples wishing to guard against this practice may do so with a prenuptial agreement.

Family Matters

Marriage may enhance a partner's ability to collect financial support, such as alimony, should the relationship dissolve. Although single people do adopt, many adoption agencies show preference for households that include a marital relationship.

The opportunity to go through life with a loving partner may be the greatest benefit of a successful marriage. That said, there are financial and legal benefits that you may want to explore with your partner before tying the knot.