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When Cupid strikes twice

By SANDI WEAVER

February is a romantic month, isn't it? A client recently came in for her review meeting, and announced that plans with her significant other were progressing this spring. Households would be combined. They intended to marry. Our client had been married before and has a son.

If this may be you, here's a list of items we discussed.

Estate planning gets more complicated. Before, Tina planned to leave everything to her son and had him listed as primary beneficiary on her assets. She used a simple will. That may change now where some assets are kept for the use of her new partner during his lifetime, and given to her son after her partner's death. Rather than a will, she may need to consider getting a revocable trust. Or, she may choose to leave some assets to her new partner directly, as primary beneficiary. She will be reconsidering who makes financial decisions for her if she's incapacitated. She may reconsider who "pulls the plug" if she's in a coma. Those durable powers of attorney might get changed.

Taxes can go both ways - better or worse. Although Tina is working full-time, she's also going to school evenings and weekends. We had recommended she cash in her EE Savings Bonds to pay for the tuition because the accrued interest is not taxed. She can do that, as long as her income is below a certain amount. If she marries and files a joint return, she may no longer qualify to escape the tax on that accrued interest. Best do that now then.

The interest rate on the mortgage on her house is 5.625%. We had recommended she check out refinancing since she could probably do so at 4.5% for a 30-year fixed mortgage. That no longer applies if the house will be sold within the next 1-2 years. It would be difficult to recoup the closing costs on refinancing within that short time frame.

Tina has a defined benefit pension from a previous employer, where she can opt to get a monthly check or to get a lump sum check. She might decide she'll share some of that pension with a new spouse, rather than take a check for the lump sum or a single-life annuity for herself.

We discussed commingling assets. (Someone has to play the 'bad cop'!) If this new relationship doesn't last, are there assets she might lose in a divorce case? It's important to mindfully combine ownership on assets - or not. Adding a partner's name on your investment account puts those assets at risk in a divorce. Keeping only your name on it, and ensuring you're the only one depositing into it, retains your right to the asset in most cases. Using a joint account for household expenses can be a solution for couples in second marriages. Having a legal pre-nuptial agreement, where each partner discloses their assets and debts, can ensure you're not combining your pile of assets with a "surprise!" pile of debts.

Tina may also lose Social Security's widow's benefits if she marries before age 60. Waiting until 60 allows her to receive those benefits, at a reduced amount. Yet those benefits are cut back further if she earns over the earnings limit, $15,480, between ages 60 and full retirement age.

So, given her plans to retire at 62 and her current salary, what is the net monetary loss if she waits to 60? Yet another factor to consider.

Financial planners may be more practical than romantic when it comes to Cupid's arrow, but that's our job.

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