Making marriage work financially

By Jacob Ansel

Getting married offers numerous tax advantages. Perhaps that doesn't sound all that romantic, but once the I dos are exchanged couples become entwined in each other's financial future and should be prepared.

AS CHILDREN WE HAVE thoughts about what it means to get married – white dress for the bride, tuxedo for the groom, flowers, a big reception, and plenty of great gifts. We're not necessarily thinking about marriage as a financial union, about taxes and debt and expenses. But your wedding date may be just as important to the IRS as it is to you and their business is all fiscal.

Your first concern as a married couple is whether to file a joint tax return or married filing separately. Which produces the most benefit and saves the most on taxes? This is a question I get a lot. Most couples prefer the joint option, but it all depends on your financial and tax circumstance. The best thing to do is prepare tax projections using three scenarios – married filing jointly; husband separate; and spouse separate. Filing a joint return usually saves the couple money, particularly if both work and one earns considerably more than the other. Combining incomes can bring the couple into a lower tax bracket. Also, some tax credits are only available when a joint return is filed. But separate returns may be the way to go if one spouse has large medical bills and can meet the deduction threshold with one income.

Many couples are concerned about health insurance costs once they're married. Married couples often save thousands of dollars with a joint plan instead of two single plans. Most employers cover a single plan, but offer the option for a family plan at a reduced cost to the employee.

It's important to set up bank and brokerage accounts into joint accounts. With the death of a spouse, the money is easily transferred to the surviving spouse without penalty or red tape. It's also beneficial to have a joint account for estate tax purposes.

Regarding life insurance, how much is needed and who should be the beneficiary? Premiums are the lowest they've ever been for whole life or term insurance. It's a smart idea to take out the needed insurance when married to secure your family's future. A general rule of thumb is no less than $100,000 and up to $1 million depending on income and financial need. A good $1 million term life policy on a healthy person runs less than $1,000 a year. It's critical to have insurance for both spouses even if just one of them is the breadwinner. Long-term needs – child care, mortgage payoff, firings, and reducing work hours to tend to a child as the surviving spouse – should all be considered.

Before many folks are married, one or the other – or these days both – have some sort of credit card debt. Suppose when you were single you stopped paying off that debt and the account was written off. Now you're married and a debt collection agency is demanding payment, threatening to garnish not just your wages but those of your new spouse. Can the debt collector do that? Probably not, but sometimes yes. If the spouse is a joint accountholder, he could be held liable even if his name went on after the debt was accrued. Certainly, once a couple is married it's critical to know what's going on with your spouse's credit because marriage is a partnership where both parties are liable for debts. Even if the credit is defaulted on by one spouse, a creditor can seek renumeration from the other.

Newlyweds would be smart to work out their financial lives together before exchanging I dos. Who will handle the finances once they wed? How should spending be determined? How can they make the right choices without arguing over money? These are age-old questions that every couple faces daily. Here are a few key tips to making it all work:

- Place one spouse in charge of all finances. Having two cooks in the kitchen always spoils the broth.
- Have a monthly meeting to review income and expenditures made by both parties whether via check, debit card, or credit card. Keep finances on a software program – like Quicken – which helps make decisions and track income and expenses.
- Make joint decisions about major purchases; never surprise your partner. Pick a certain limit, $100 let's say, and neither spouse can spend more than that without informing the other.
- All love partnerships should also be viewed as financial partnerships and all monetary matters should be treated seriously and with respect. Encourage your partner to save more and spend less.

We all go into marriage with vision blurred – sometimes blinded – by love. And that, my friends, is not the best way to run any financial house. So be responsible, make joint decisions, save more, and spend less. That's the recipe for a fiscally sound marriage. ❑

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