

Financial Considerations for Unmarried Couples

Today, a growing number of couples are choosing to build their lives together without getting married. That arrangement presents some unique challenges when it comes to wealth planning and related issues.

If you're one half of an unmarried couple in a committed relationship, or if you have a child or grandchild in that position, it makes sense to understand what that relationship status can mean when it comes to making decisions about money.

The Unmarried Trend

Research shows that marriage rates are hovering at or around historic lows—and that these low rates aren't seen only among the youngest. For example:

- Just 20% of today's 25-year-old women and 23% of today's 25-year-old men have ever married, according to the Institute for Family Studies. These are close to the lowest levels ever recorded.
- In contrast, in 1967, about 85% of 25-year-old women (and 75% of 25-year-old men) either were or had been married.
- Only about 60% of 35-year-old men are ever-married today, down from 90% in 1980.

Importantly, however, none of that means people are no longer coupling up and living their lives together. The Pew Research Center found that the number of unmarried couples in the U.S. has more than doubled since 1990.

Implications for Finances

When it comes to their financial lives, unmarried couples may find they have to navigate challenges that married couples usually avoid due to some financial protections that marriage brings. A few examples (with the caveat that some laws and rules can vary from state to state):

- Unmarried couples generally don't have automatic rights to each other's assets if one of them dies.
- Health care or end-of-life decisions automatically go to next of kin—the person's closest living relative—rather than the unmarried partner.
- A "non-spouse beneficiary" who inherits an individual retirement account has fewer options and flexibility than does a surviving spouse when it comes to withdrawing the funds in the IRA. For example, only a spouse can roll over inherited IRA assets into an IRA in their name. An unmarried partner can transfer the assets only to an inherited IRA and must withdraw all inherited assets.
- An unmarried partner is not eligible for Social Security spousal and/or survivor benefits.

None of these limitations and rules mean unmarried committed couples should immediately tie the knot, of course. The point is to know what getting married versus staying unmarried may mean in terms of various rights and protections you both enjoy. Armed with that information, you can set out to make clearer decisions.

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Action Steps to Consider

If you're an unmarried couple, what can (and should) you do to arrange your financial life as you see fit? The answers will vary from couple to couple, of course—but you might want to consider the following action steps.

1. Talk about your finances.

Open, honest communication is “Partnership 101”—a vital first step to planning together. That's particularly true when it comes to topics like spending, saving, financial values, investing and legacy (all of which can be emotionally charged).

Start with whether you'll handle your finances jointly or separately. That choice may depend on your respective incomes, goals, comfort levels and existing assets going into the relationship. From there you'll want to discuss long-term financial plans and goals, how you want to handle unexpected expenses and other topics to ensure you're on the same page.

2. Formalize your plans.

Consider ways to formalize your relationship if you remain unmarried. For example, you might name each other in wills, trusts and powers of attorney so that your partner (not the legally determined next of kin) becomes the executor/beneficiary. Likewise, title valuable assets jointly with rights of survivorship; that way, the surviving partner can get full ownership. Also consider a property co-ownership agreement if you own real property together. This document spells out who contributed (and how much they contributed) to a down payment, mortgage, repairs and so on.

3. Set up retirement assets to benefit your partner.

Various laws and rules help ensure that a surviving spouse receives the deceased husband's or wife's retirement assets. For unmarried couples, however, each partner needs to name the other as their retirement account's beneficiary. Often that process is as straightforward as filling out a form with the person's name, date of birth and contact information. In most cases, you also can change or alter the named beneficiary—if, say, your relationship ends, your partner dies, or you have children together and want them to inherit some or all of the assets.

4. Don't overlook broader issues.

While you're at it, consider living wills or advance directives that describe each partner's wishes for medical care. Spouses typically can get access to each other's health records and make medical decisions on each other's behalf. But because of the Health Insurance Portability and Accountability Act (HIPAA) Privacy Rule, unmarried couples will likely need to give written consent to share personal health records with each other. A durable power of attorney document will enable such couples to discuss care options with physicians and make medical decisions on each other's behalf. Additionally, a financial power of attorney document will allow you to discuss coverage, claim status and other issues with your partner's insurance company.

All relationships take work to be successful—and that's true regardless of your marital status. Some of the most important work you and your partner can do is to carefully discuss and plan your financial future together. If you haven't done so yet, get going. If you have, take some time to revisit your plan and the assumptions going into it.

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