

# Unmarried Couples: Treading the Tricky Waters of Pooled Finances

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. Remember, you are each *fully* responsible for all charges on a joint account. In addition, keep in mind that it's important to establish and maintain your own separate credit history.

When it comes to retirement planning, unless you have a written agreement or **irrevocable trust** that will withstand a permanent separation, you may want to consider yourself as a single individual and plan accordingly. However, if you should decide to plan for retirement together, here are some strategies to look at: Investigate the possibility of joint and survivor benefits; designate each other as the beneficiary of life insurance policies and qualified retirement plans; and cross-own life insurance policies.

Another step worth considering is a **domestic partner agreement**. This is a legal contract between unmarried partners that can clarify the sharing of income, expenses, and property. It outlines each partner's ownership rights, and states his or her intentions for the distribution of his or her property if the relationship ends or if one partner dies. However, the acceptance of these agreements varies from state to state. Therefore, be sure to consult a qualified legal professional for your unique circumstances.

## Look before You Leap

There are many options unmarried couples can choose to handle their finances. The least complicated and "safest" approach may be to keep your finances separate. However, this isn't always convenient, and it may not promote trust in relationship building. But, by understanding the concerns you may face as an unmarried partner, and speaking with your trusted advisors, you'll be in a better position to determine the appropriate decisions to make for your financial and emotional well-being in this type of domestic arrangement.

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