

BLISS PROGRAM

Marriage

*Helping to Preserve and Grow Your Family's Wealth
Through Life's Biggest Moments.*

Planning for Marriage to Someone with Children



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What is it?

Marrying someone with children means that your finances will become a lot more complicated as you take into account the needs of your spouse and any children who join your household. Many of the issues you confront will be the same issues that any couple marrying will face, including budgeting, insurance, and integrating your employee benefits. In addition, you'll need to consider issues related to rearing the children of someone else, such as providing for the children now and in the future, considering the impact of child support on your finances, and determining the tax implications.

Money issues

How will your finances change?

Before getting married, sit down with your fiancé and discuss what assets, liabilities, and responsibilities each partner is bringing to the marriage. Although your joint income may be substantial, if you and/or your spouse have children from a previous marriage or relationship, your money will need to stretch further than it used to. You'll need to set up a new budget to accommodate the needs of your growing family and consider what new expenses you'll have. You may need to budget for both everyday expenses, such as food, clothing, and child care, and future expenses if you determine that you'll need to save for a larger car or move to a larger home.

Does it matter who pays for what?

When you and your fiancé get married, you should consider whether to keep your finances separate or combine them. Like many individuals who remarry, you may want to keep your credit, bank accounts, and property separate if you or your spouse have past credit problems or if you want to protect yourself in the event that you divorce in the future. You may decide that it's fair that your spouse pay for the expenses of his or her child (such as child care or a college education), while you pay only for general household expenses.

However, you may feel that combining finances will solidify your family and make your finances less complicated. Like many stepparents, you may want to contribute a certain amount toward your stepchild's expenses or even pay all of his or her expenses. Usually, this causes no problems, but you also need to consider what will happen in the event that you and your spouse divorce. Will you want to continue supporting the child financially? In general, even if you have been paying the expenses of your spouse's child, your spouse can't force you to pay child support if you haven't adopted the child. Because your responsibilities to him or her are voluntary, you most likely won't be held responsible to pay for your stepchild's expenses.

How will child support or alimony payments affect your finances?

If your prospective spouse has been divorced and is receiving alimony or child support, you'll need to decide whether this money will be put into a separate account or will be used by you as a couple in order to support your combined family. However, it's best not to count on alimony or child support payments to offset your increased living expenses. Depending on the terms of the divorce, your spouse may stop receiving alimony when he or she remarries, or alimony payments may be reduced. Although child support payments will likely continue for a specified period (often until the child reaches age 18), there's no guarantee that the amount of the child support payment will remain the same. If your spouse's ex loses his or her job, for example, he or she can petition the court to reduce the amount of the child support payment.

However, if you're marrying someone who's obligated to pay child support, you should understand what your spouse's obligation is and realize that it could increase in the future. It's even possible that your spouse's ex can go to court and ask that child support be increased because your spouse has remarried and you're contributing to the household income, thus leaving your spouse more income to pay child support.

Other issues

Should you consider a prenuptial agreement?

If you and/or your fiancé have children, you should consider executing a prenuptial agreement (i.e., a contract that will spell out each partner's rights, duties, and obligations during marriage) to determine what will happen in the event you and your fiancé separate or divorce, or if one of you dies. You may find that a prenuptial agreement is useful when children are involved because it can eliminate conflicts over estates and ensure both parties that their legal rights and the legal rights of any children will be protected. Even if you have a will, consider executing a prenuptial agreement as well. Unlike a will, a prenuptial can't be changed unless both parties agree, giving you added peace of mind.

Should you consider adopting your spouse's child?

You may want to adopt your spouse's child for emotional and legal reasons. If you love the child, you may naturally want to

become the child's legal mother or father. In addition, it may protect your rights in the event that your spouse dies and you want to continue raising the child, and it may protect your right to make decisions on behalf of the child. However, adopting your spouse's child may mean that if you divorce, you can be ordered to pay child support, even though your relationship with the child may be severed. If you decide you do want to adopt your spouse's child, you'll find that doing so is easier than adopting a nonrelated child if your spouse's former husband or wife is dead. If your spouse's ex is alive, you'll have to seek his or her permission to adopt the child. If he or she refuses, you may not be able to adopt the child, unless the parent's rights are terminated because he or she abandoned the child or is considered an unfit parent.

Why is estate planning particularly important when you marry someone with children?

When you marry someone who has minor children, you'll want to consider what will happen to those children in the event you or your spouse dies. Do you want to provide for the children in the event that you die? If your spouse dies, will the children live with you or with their other parent or family member? Because child custody issues can be complicated when the person who wants custody isn't biologically related to the child, you'll want to make sure that you get advice from an attorney on this issue. If either of you brings substantial assets into your relationship, you may also want to make sure that your children retain the right to those assets in the event that you and your spouse divorce.

Adult children from a former marriage or relationship can pose special problems. Don't assume that your spouse's children will love you as much as your spouse does. They may see you instead as a competitor or a villain, taking their place in your spouse's heart and in his or her will. Whether this is actually true is irrelevant. After your spouse is gone, they can make your life miserable unless you both plan ahead. One way to plan ahead is to make sure that your estates are distributed according to your wishes. Both spouses and any children must clearly understand what those wishes are. For example, you and your spouse may want to set up one or more trusts for your children and/or one another, or you may want to execute a prenuptial agreement along with your will. You may want to agree to leave a specific amount to the surviving spouse and the rest to any surviving children, or you may want to use life insurance to provide for your children or your spouse.

Income tax considerations

Are child support and alimony payments taxable or deductible?

For divorces finalized by December 31, 2018, alimony payments must usually be included in the gross income of the recipient but can be deducted by the payer, although the divorce agreement may designate alimony as nontaxable and nondeductible. For divorces finalized after that date, alimony payments are not included in the gross income of the recipient and can't be deducted by the payer.

Child support payments are ordinarily considered nontaxable income and are nondeductible to the payer.

Will you be able to claim the child and dependent care tax credit?

Generally, the parent who has custody of a child under 13 for the longer period of the year can claim the child and dependent care credit, as long as he or she qualifies for the credit. If the child was with each parent for an equal number of nights, the parent with the highest adjusted gross income may claim the credit.

Will you be able to deduct the child's medical expenses?

A parent may be able to deduct any medical expenses that you incur on behalf of his or her child, even if he or she doesn't have custody of the child or even if he or she isn't entitled to claim the child as a dependent. Remember, though, that medical expenses are deductible as itemized deductions on Schedule A, Form 1040, only to the extent that they exceed 7.5 percent of the taxpayer's adjusted gross income.

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