Getting married can bring dramatic changes to your clients' financial lives.

FOR RICHER

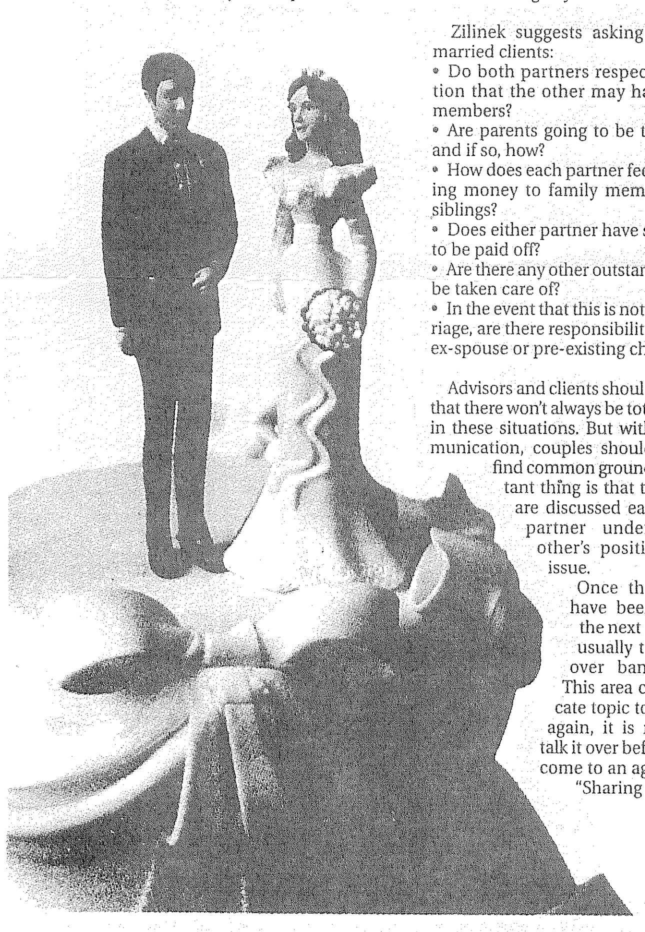
BY LAURA URMONEIT

PLANNING A WEDDING IS SERIOUS BUSINESS. It's a logistical, commercial and diplomatic undertaking that involves co-ordinating suppliers, booking venues, inviting family members and friends, and making sure the special day goes off without a snag. While many couples devote a great deal of energy to making their wedding plans, many underestimate the importance of planning the actual marriage – the life they will spend together.

Marriage has a big impact on each partner's finances. The financial decisions a bride and groom make before they take that walk down the aisle will affect their lives long after the honeymoon is over.

That's where the help of a financial advisor comes in. Informing couples about the financial issues that will influence their marriage before they take their vows can help them prepare for what lies ahead. Good advice can help them make decisions that can save them taxes, help them buy a home, equip them to handle emergencies and prepare for retirement.

Insurance, wills, debt, investments and banking are all areas that couples need to think about when entering marriage — areas in which your expertise will be invaluable.



"Money can play a huge role in a marriage," says Steve Zilinek, an investment advisor with **Wellington West Capital Inc.** in Winnipeg. "When we're single, we have fewer obligations. However, when you get married, there's a shift. Recognizing the importance of addressing money issues before you walk down the aisle is key."

Zilinek suggests advisors sit down with the bride and groom and pose a series of questions for them to think about prior to the big day. Ideally, this talk should take place several months or even a year before the actual wedding. Even if the couple is rushing through a short engagement, it's still better to discuss these issues weeks before the big day than not at all.

Zilinek suggests asking soon-to-be-married clients:

- Do both partners respect the obligation that the other may have to family members?
- Are parents going to be taken care of, and if so, how?
- How does each partner feel about lending money to family members such as siblings?
- Does either partner have student loans to be paid off?
- Are there any other outstanding debts to be taken care of?
- In the event that this is not the first marriage, are there responsibilities toward an ex-spouse or pre-existing children?

Advisors and clients should understand that there won't always be total agreement in these situations. But with good communication, couples should be able to find common ground. The important thing is that these matters are discussed early and each partner understands the other's position on each issue.

Once these subjects have been discussed, the next decision that usually takes place is over bank accounts. This area can be a delicate topic to broach, but again, it is necessary to talk it over beforehand and come to an agreement.

"Sharing a bank account is part of marriage," Zilinek says, "but I suggest to my clients that at the same time they have their own money. I couldn't imagine having to justify every time I wanted to buy a shirt."

The advisor can recommend some options, such as having one account for bills and household expenses, as well as individual accounts for personal use. Whether or not both partners are working and if there are any disparity of incomes may influence this discussion.

Whatever they decide, it is a personal choice that is determined by both partners, Zilinek says, and the advisor's opinion should not be the driving force in that decision.

INSURANCE

Insurance is always an important issue when dealing with couples, especially those planning to get married. Initially, the advisor needs to sit down and talk with the couple about their plans, goals, their dreams and where they want to be as a family in a few years. This is a good time to assess the coverage they already have, both privately and through group plans at work, and if their insurance needs will be changed by the marriage.

Once the clients have an idea of their plans, the next step is for the advisor to help them move into the insurance that meets their needs, both for today and in the future, says Saundra Edwards, director of individual life insurance marketing at **Great-West Life Assurance Co.** in London, Ont.

According to Edwards, insurance issues to be considered in these cases would range from life insurance, concerns over debt should something happen to one of the spouses and planning for a family.

If the couple already has adequate life insurance coverage from work, there are a number of options they can add to their coverage. For example, she suggests discussing the purchase of a guaranteed insurability option. The option would allow the couple to buy life insurance in the future without providing medical evidence. This would protect them should either partner's health deteriorate, rendering them otherwise uninsurable later on.

Another possibility might be a disability waiver of premiums, which would pay the premiums on a life insurance policy should the breadwinning spouse become disabled.

If the couple is planning on having children, the possibility of a stay-at-home parent raises insurance questions. If the chief breadwinner should die, would he or she have enough coverage to take care of the surviving parent and children? Similarly, life insurance on the stay-at-home partner could offset child care and other expenses for the surviving, working partner.

"What needs to be addressed is an idea of where, as a couple, they see themselves going in the next few years," Edwards says. "A planner's job is ensuring that whatever plan they purchase can change and move with them as they go through life."

Big changes, such as buying a home and starting a family, are most likely to occur in the first five to 10 years of marriage. With this in mind, Edwards says, there are basically two kinds of insurance that advisors should be discussing with clients: term insurance and permanent insurance.

Term insurance is most popular with younger couples and young families, she says. It is a relatively inexpensive way to provide coverage but it's temporary, usually expiring by age 75 or 80. As well, the premiums generally increase with time, so most people go for the 10-year renewable policy, for which the premiums would increase after 10 years. Term insurance is a good way to provide the necessary coverage for a relatively low price, especially for young couples who have heavy financial obligations such as rent or mortgage payments, she says.

Advisors can also suggest a permanent insurance product, such as participating whole life insurance or universal life, which stay in place to age 100 or, in some cases, longer.

What makes permanent insurance attractive to some young couples is that it combines a tax-deferred savings component with the insurance coverage. With permanent insurance, clients pay the same premium for a lifetime.

"The difference is accumulating in the cash value in the policy. When clients are older and more expensive to insure, that cash value is being used to provide continuing coverage," Edwards says.

Clients can increase their savings component by paying higher premiums. That cash value can be used later as a down

The advice you give before they walk down the aisle can lead to a happier future together

OR FOR POORER

payment on a house or a business. Clients can have access to that cash at any time for business opportunities or to make ends meet in an emergency such as the loss of job.

"Insurance isn't an easy topic. There's a lot to understand and a lot you'd want to investigate," Edwards says. "It's important that advisors work with clients to take the time to listen to their needs, understand what their goals are and provide them with information to make educated decisions, as well a providing recommendations."

REAL ESTATE

While your soon-to-be-married clients may not be ready to buy a house just yet, you can advise them on ways of making that first home a reality. Many couples end up taking that step sooner than they planned, says Carey Vandenberg, a chartered financial planner at **Partners in Planning** in White Rock, B.C.

"When young clients come in and say, 'No, we're not planning on buying a home for at least five years,' I don't listen to that," Vandenberg says. "I've seen on a number of occasions, couples [saying that, then] wanting to buy a home six months later. Because of the short notice, we would have to use a homebuyers plan and take the money out of their RRSPs. If I had known the potential was there before, I would have changed the investment mix of their RRSPs."

Some planners include a real estate agent among the professionals, such as accountants and estate lawyers, with whom they form alliances. Still, if you don't refer your clients to a real estate agent, you can at least advise them on what to look for in an agent.

Clients should choose an agent who has an associate broker designation, according to Dan Cooper, associate broker for **Royal LePage Real Estate Services Ltd.**, "If you see anyone promoting that they're an associate broker, it means they've gone the extra mile from an educational perspective," he says.

Most agents charge the same commissions, so the difference will come down to educational background, training and what services the agent provides.

"Let's face it, for most people their house is their largest asset," Cooper says. "First-time buyers aren't looking at real estate as an investment, they're looking at it as a roof over their head with an investment potential."

Buyers can be pre-qualified for a mortgage right away. This can often be done through the real estate agent, but many prefer to separate the process so clients don't feel an invasion of privacy. A mortgage broker can pre-qualify the clients to an exact dollar amount within a day, so both the agent and the couple know what is affordable. Clients still can follow the traditional route of going to a bank and getting a mortgage that way.

A house is "probably the best investment out there," says Cooper. "A smart investor will have some money in the market, they'll have insurance and a smart investor will also have real estate. If you don't own a house, you'll have to rent. Then you're paying money to somebody else to pay off their mortgage," he says.

Once the buyers have chosen a house and an offer is submitted, a contract will be drawn up. Clients should insist on a conditional clause that says the sale is final only upon the house passing a home inspection. A home inspector's task is to confirm that the house is in a good state of repair or to acknowledge and report any deficiencies. Home inspectors are not regulated, so Cooper suggests calling firms whose inspectors hold professional engineer degrees.

Next, the couple will have a real estate lawyer look over any contract to make sure everything is in order. Some couples may not be aware of the expenses owed above and beyond the home purchase price, says Annette Di Nardo, family law lawyer for Toronto-based **Ricketts Harris LLP**.

"When a couple sits down and budgets for the purchase of their house and, at the end of the day they go see their lawyer, the lawyer will ask for money to pay for the land transfer tax. That can be in the thousands," she says. The home inspection and the lawyer's fees are other expenses clients will have to plan for in addition to the cost of the house.

Clients should also take the time to consider whether they wish to own the house as "joint tenants" or as "tenants in common."

When the owners are joint tenants, there is a right of survivorship, which means if one partner dies, the surviving partner assumes the deceased partner's half of the property.

When a couple buys a house as tenants in common, each partner can leave their interest to a beneficiary of their choice. This is option is often chosen by couples who have children from previous relationships.

TAXES

For better or for worse, many things change when a couple gets married, including taxes. One of the first things a newly married couple might notice in the tax area is the disappearance or reduction of the GST benefit cheque. Those cheques are based on family income, and a marriage may make the couple's combined income too high for them to qualify for the benefit.

But, according to Jamie Golombek, vice president of taxation and estate planning at Toronto-based **AIM Funds Management Inc.**, marriage can bring significant tax benefits.

The most common tax strategy a couple can use once they're married is spousal RRSPs, he says. The rule allows the higher income-earning spouse to contribute to the lower-income spouse's RRSP and claim the deduction. Still, the lower-income spouse can withdraw cash from the RRSP, taking advantage of the lower tax rates.

"We see people, often in their 30s, split everything and have separate bank accounts. I even hear stories of husbands and wives writing cheques to each other. I'm not telling people what to do philosophically, but the bottom line is if you have one spouse making more money than the other, it puts them into a much higher tax bracket," he says.

Golombeck recommends that the higher-income earner should pay all household expenses such as the mortgage or rent, groceries and household bills. The lower-income earner should save all their money for investment purposes. That way, the money that's generated will be in the hands of the spouse who earns less.

INVESTMENTS

Golombek highly recommends that couples set up one separate account that is there only to receive the lower-income salary. That money is then transferred to an unregistered investment account.

"If the Canada Customs and Revenue Agency ever looks at what you're doing, there's a clear paper trail that the income that's coming to the lower-income spouse is being used for investments in the name of the lower-income spouse. That way you can have lower taxation over the years," he says.

WILLS

With all that saved money, a new home, a healthy insurance policy and regular RRSP contributions, perhaps the most important question a planner should ask the couple is if they have a will, says Di Nardo.

"A will speaks on death and it lays out the deceased's wishes on issues such as how they want their estate to be administered or who they want to look after any children," Di Nardo says. "It also addresses things that have sentimental value."

According to Di Nardo, clients should be reminded that a person's will is revoked when that person gets married. The only exception to this rule occurs if the lawyer states in the will that it was made in contemplation of marriage.

Di Nardo also recommends discouraging clients from trying to change a will on their own. "Legally, you can't sit down over a cup of coffee at the kitchen table and scribble something out and write something new in, initial it and consider it changed," she says. "Any changes have to be done through a lawyer in order to prevent the will from becoming invalidated."

It's also important for couples to understand the way power of attorney is dealt with in the will. It addresses who is going to look after the estate if either of the partners becomes physically or mentally incapacitated.

"If one spouse becomes physically incapacitated, such as a paraplegic, power of attorney gives the other spouse the power to handle the estate, such as handling their banking," she says.

"If a spouse becomes mentally incapacitated, the power of attorney [gives the other spouse] the authorization to tell the doctors to pull the plug," she adds.

These issues may not be easy to talk about, but it's important for clients to confront them. Whatever decisions the couple make, Golombek says, the bride and groom have to be honest with each other and with their advisor.

"Couples, even though they're in love and they're honest in most things, they often don't have complete openness when it comes to financial affairs," he says. "If you're going to trust someone with your life, it would be also in your financial interest to discuss with a planner all of your financial circumstances so that he or she can make sure you optimize your financial affairs as a family unit." IE

HANDLING BAGGAGE

Second marriages can bring murky legal and financial issues, especially if children are involved. According to Saundra Edwards, director of individual life insurance marketing at Great-West Life Assurance Co. in London, Ont., clients entering a second or subsequent marriage should look closely at their insurance and estate plans.

"First of all, it's extremely important if somebody is in a second marriage and has children from the previous marriage that they have a will," she says.

Most separation or divorce agreements that involve support payments now include a clause requiring the ex-partner who pays support to take out life insurance. This ensures the support payments continue to the surviving ex-spouse or children in the event of the paying ex-spouse's death or disability. These payments are temporary, usually lasting only until the children are no longer considered dependents.

Outside of support payment issues, parents of children from a previous marriage are often advised to name the children as beneficiaries in an insurance policy. But because minors cannot receive benefits from an insurance policy, a trustee might have to be appointed to ensure that the money is spent according to the wishes of the deceased parent.

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