Navigating

Financial Basics as a Newlywed

The twenties and thirties are an ideal time for getting established for future financial success. However, the various and competing financial goals and responsibilities such as student loans, home purchases, raising children, and saving for retirement can be daunting and overwhelming. Diversified Trust has compiled a series to help guide young people toward a brighter financial future.

Congratulations! You're now a married couple. What was once "mine" and "yours" is now "ours." But where to begin, how to go about it, and what does all of this sharing mean? We've put together a useful guide on a few of the basics that will hopefully make those first few financial endeavors as a married couple a little less daunting.

Based on a 2014 study conducted by PWC, only 24% of Millennials demonstrate basic financial knowledge. Among the overall population, Millennials are the age group with the lowest level of financial literacy, and only 27% are seeking professional financial advice on saving and investment.

▶ FROM MISS TO MRS.

For some women, the first marker of married life is a name change. But with so many accounts associated with our names, it can be hard to keep track of everything that needs to be updated. To help streamline the process, begin with Social Security. Visit your local Social Security office with the required documents and you'll be well on your way (see sidebar). Once you have legally notified the Social Security Administration of your name change, you can proceed to the DMV and your local bank to update your driver's license and bank accounts, respectively. From there, you should be able to easily update your remaining accounts, such as frequent flier accounts, loyalty programs and more.

And while not necessarily within the financial realm, but just as important, you will also want to update your medical records. HIPPA rules make it difficult to access medical records when they are under two names. It's a good idea to go ahead and change the name on all of your medical records as soon as you can.

▶ SHOULD WE SHARE?

Many married couples choose to open a joint checking or savings account. This is an account owned by more than one person in which each person has the right to withdraw or deposit funds. This can make the sharing of household expenses easy to facilitate. However, there is always a risk when you have more than one person using funds in an account. A joint account requires communication and honesty to maintain a sufficient balance.

Whether or not you choose to combine assets, it's important that you designate someone other than yourself (e.g. spouse, parent, sibling, advisor) who can access those funds upon your death or disability. You will, of course, want to designate someone you trust.

SOME OF THE REQUIRED DOCUMENTS INCLUDE:

- **Documentation of Citizenship**
  U.S. Birth Certificate or U.S. Passport
- **Documentation of Age**
  U.S. passport, U.S. birth certificate, U.S. hospital record, or religious record before age 5 showing date of birth
- **Proof of Identity**
  U.S. Driver's License, State Issued non driver's licence, U.S. Passport, Employee identification card, school ID card, health insurance card, U.S. military ID
- **Name Change Document**
  Marriage document, divorce decree, certificate of naturalization, court order approving the name change

WHO OWNS WHAT?

As assets become shared, it's important that accounts are titled correctly to ensure they are set up in the way you had intended.

A common question is the difference between **joint assets** and **tenancy in common**. Because they are both based on dual ownership of a single asset, they are often confused as being interchangeable, but there are some important and distinct differences.

The biggest difference is in the **rights of survivorship**, or how these assets pass upon death.

In joint assets, any deceased owner's share of an asset automatically passes to the other joint owner upon death. In other words, a husband's share of a jointly-owned house would automatically pass to the spouse upon death.

In tenancy in common, assets do not have any rights of survivorship. So, if a married couple owns a home via tenancy in common, the deceased husband's share would pass to whoever the deceased designates in his will, rather than directly to his wife.

Community Property passes in the same manner as tenancy in common, but community property is only recognized in nine states in the U.S. and is only available to husbands and wives or recognized domestic partnerships.

Tenancy by the entirety is a type of joint ownership only available to husbands and wives and is usually related to owning real estate. Tenancy by the entirety is recognized in Tennessee and North Carolina, but not in all states.

AND WHO GETS WHAT?

People generally don't like to plan for their death, but once you're married, it's important to confirm beneficiary designations. Clients often focus on how their will is drafted, assuming that whatever is stated in the will automatically takes place upon death. While this is true for most assets, it is not the case for retirement accounts, life insurance policies, annuity contracts, 401(k) plans, IRA accounts and others like those with a designated beneficiary. In those cases, whoever is designated as the beneficiary of the account will ultimately be the recipient upon death, overriding what is written into the will, as these accounts transfer by contract versus terms of a will.

It is a good idea to review your beneficiary designations on an annual basis or whenever significant life events occur.

IN CASE OF AN UNHAPPY ENDING

We know, you just got married, so why are we talking about divorce? With around 50 percent of all marriages ending in divorce, it's important to plan ahead in case the worst does happen. Trying to divvy up assets when emotions are running high can get messy. If there are significant assets owned prior to the marriage, either individually or through family inheritances or trusts, you may want to consider a prenuptial agreement.

IMPORTANT NOTES AND DISCLOSURES

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