

Checklist of 11 financial considerations before tying the knot



Navigating the complexities of wealth planning can be daunting enough when you're single. Add someone else's income to the equation along with their spending habits, money values, and goals, and planning becomes a lot more complicated. With that in mind, here are 11 suggestions to help set you and your partner up for success.

① Be open about your spending habits and money values

While your goals don't have to perfectly align, you'll want to have a good sense of your partner's money values before walking down the aisle. What are their budgeting and spending habits? What do they consider must-haves versus nice-to-haves? Will you combine finances, keep them separate, or do a little of each? Answering these questions early on will help you avoid potential conflict in the future.

② Agree on a budget and savings plan

You'll want to create a budget and determine ahead of time which expenses you'll be sharing and which, if any, you'll be managing separately. It's also a good idea to assign roles to financial tasks like paying bills, monitoring the budget, and managing taxes. While you may be merging lives, you'll no doubt still have personal goals. Agree on how you'll allocate money to your individual pursuits, as well as your joint endeavors. If one of you is bringing debt into the marriage, engage a financial planner to help you calculate the right balance of investing versus paying down debt. Be mindful of wedding and honeymoon costs which can easily get out of hand and have a long-term impact on the future progress of major goals, like owning a home.

③ Disclose assets, debt and credit history

Discuss your assets and debt with one another ahead of time to avoid surprises. Most Canadians have some level of debt in the form of student loans, credit card loans, car loans, and/or mortgages. Share your credit history with one another so you can anticipate whether one of your credit scores could impact your future goals and adjust expectations accordingly.

④ Address long-term goals

Make sure you're on the same page with respect to your longer-term goals. Finding out your partner wants to go back to school when

you've assumed you'll be buying a house together, having children, or starting a business can put a lot of stress on a marriage. Talk to a financial advisor about the best way to plan for life's major milestones.

⑤ Create an emergency fund

Always aim to have at least six months' worth of living expenses tucked away for emergencies. This will allow you to support one another in the event one of you loses their job or if you find yourselves faced with unexpected car or home repairs.

⑥ Decide whether you need a prenuptial agreement

If one of you enters the marriage with children from a past relationship and/or significantly more assets or liabilities than the other, you may want to consider a prenuptial agreement to protect your financial interests in case of divorce or separation — particularly if assets include real estate, precious art, family heirlooms, investments, business interests and an interest in a family trust. Make sure you understand your provincial and territorial laws regarding how marital property is classified and how assets and liabilities acquired before and after marriage are shared in the event of a break-up.

⑦ Take advantage of tax benefits

Couples can take advantage of a Spousal RRSP which allows you to contribute to a lower income spouse's RRSP while you receive the full tax deduction. The primary benefit of establishing a Spousal RRSP is to allow for income-splitting at some time in the future. Since the assets in the Spousal RRSP are the property of the plan holder (your spouse), the withdrawals made in retirement from the account would be taxed at their (lower) marginal tax rate. Other income-splitting opportunities or strategies may exist to split investment income if executed appropriately. If one spouse runs their own business and the other spouse is employed in the business, or actively engaged on a regular, substantial and continuous basis, income may be split

from the business in the form of salaries or dividends paid to each spouse, while being mindful of strict income attribution and tax on split income rules. Lean on the expertise of a financial advisor and tax professional for help optimizing your tax strategy.

⑧ Update your beneficiaries and estate plan

In the interest of protecting your new spouse, and vice versa, you'll likely want to review and update your RRSP and TFSA beneficiaries, and insurance policies.¹ A spouse is entitled to receive an RRSP or RRIF on a tax deferred basis upon your death and inherits the tax free savings room in a TFSA when named as the successor holder. If you don't have a Will, or haven't updated it to reflect your new situation, now is the time to take action. Review trusts and other estate planning documents to ensure your assets are distributed according to your wishes or obligations in any prenuptial agreement you prepare. Talk to an estate planning lawyer to set up health and other powers of attorney in case one of you becomes incapacitated.

⑨ Compare each partner's employee benefits

Some company benefits can be advantageous or of greater value towards married couples. It is important to understand which one is the most beneficial and cost effective and how to optimize it as a couple. Make sure you understand the timing of enrolling in benefits at each other's respective employers so there are no gaps in coverage.

⑩ Purchase/update insurance

If one of you suddenly passes away, you'll need life insurance in place to ensure that the survivor can continue to meet financial obligations such as your mortgage, car payments, and other living expenses and ensure that the survivor can continue the same

lifestyle you have both become accustomed to. Similarly, consider disability and critical illness insurance so that if one of you is unable to work due to an accident or illness, you have enough to continue funding your lifestyle. Some insurance policies, like whole life, even have a cash value component that can offer you additional room to tax shelter investment assets and they provide a death benefit upon the death of the policy holder. You can often borrow against this cash value in the event of an emergency or withdraw the cash value if you decide to cancel your policy (subject to potential income tax consequences). Be sure to engage an insurance licensed advisor to assess your needs and provide appropriate coverage.

⑪ Consult a financial planner

A financial planner can provide objective guidance on your combined financial picture, helping you decide what to merge and what to keep separate based on your unique circumstances. They can offer tax insights, provide advice around long-term goals, like buying a home or starting a business, and share strategies to help you build wealth efficiently while staying on track day-to-day. Plus, they can facilitate tough financial conversations, making it easier to navigate important decisions together.

Open and honest communication is essential as you enter a marriage, especially when it comes to finances. Discussing money matters today will help you set clear expectations, align goals, and prevent stress tomorrow. Be transparent about your financial intentions and aspirations, and lay the foundation for a strong, trusting, and hopefully ever-lasting partnership.

For further information, and to successfully plan for your union, speak to a BMO Private Wealth professional.



¹Quebec residents cannot name a beneficiary, successor holder or annuitant on a registered account. The proceeds of your registered plans will form part of your estate and you will need to designate a person to receive these accounts in your Will. However, in Quebec, beneficiary designations are possible for insurance policies and insurances related products.

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