

Financial Planning for Gay and Lesbian Couples

By Rita Johnson, CFP®

Financial Hurdles Facing the LGBT Community and Gay and Lesbian Couples

As a gay or lesbian couple, legal marriage is not available to you in most states and you lack many of the protections and benefits the law extends to married couples.

You may want to work with an estate attorney to develop a domestic partner agreement supplemented with other legal documents, such as a will or living trust, durable powers of attorney for health care and finances, and parental rights agreements to help protect your rights.

To Manage Finances Separately or as a Couple?

Non-traditional couples must decide whether to handle finances separately or as a couple. A candid discussion of your financial values, priorities, and goals provides a solid foundation for making these decisions. If you decide to handle finances as a couple, does this include long-range retirement planning or just short-term activities, such as managing household finances? By clarifying this now, you can ease financial decisions about managing household expenses, opening joint accounts, and developing a budget.

Employer Benefits for Domestic Partners

Many employers now offer domestic partner benefits to the unmarried partners of their employees, including health insurance. Before your partner signs up, be aware that the value of the benefits your employer offers to your partner is generally taxable (unless your partner qualifies as your dependent for federal income tax purposes). It shows up as income on your pay stub and also on your year-end W-2 form. You may find that the additional tax on the domestic partner coverage prompts you to select your own employer's plan, if available.

Retirement and Estate Planning

For estate planning, married couples have the benefit of inheriting the assets of the spouse free of estate tax. Because unmarried couples lack this tax shelter, there may be a greater need for life insurance to protect the surviving loved ones.

There are other areas of financial planning that are no different regardless of one's marital status. Everyone needs a financial plan that will allow them to educate their kids, live in retirement, and care for themselves in times of ill health.

Long Term Care Insurance for Unmarried Couples

Long term care insurance can be a key component of a long term plan that provides protection for loved ones. Interestingly, the companies that provide this insurance will give partners living together the same substantial discount whether or not they are married.

Financial planning is an important part of preparing for your future, whether you are single or part of a couple. We help you organize your financial lives, identify goals, and make plans for achieving those goals. For more information about our practice call us at 800-201-4554 or 303-402-6907 to set up a no-obligation meeting.

Please note, changes in tax laws may occur at any time and could have a substantial impact upon each person's situation. While we are familiar with the tax provisions of the issues presented herein, as Financial Advisors of Raymond James & Associates, we are not qualified to render advice on tax or legal matters.