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# Marrying again? Pay attention to blended finances

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Couples with children who remarry should consider a number of financial matters up front, experts say, from household spending to estate planning. When Erna Paris and Tom Robinson decided to get married, each for the second time, the union came with a few more hitches than they'd experienced the first time around. The Toronto couple had quite different income levels and were at different stages in their careers, not to mention the fact that Ms. Paris brought two young children to the relationship.

Figuring out how to manage financially was important, given the many emotional as well as other practical issues involved.

"Step families are quite a different kettle of fish and money is central to that. It can get very complicated," notes Ms. Paris, a freelance writer and author who wrote a book about her experience — *Stepfamilies: Making Them Work*, which has a chapter on finances.

“Money conflicts can happen in any marriage, but they’re especially highlighted in blended families,” she says. In her own situation, although she earned less, she found it important to maintain financial independence until a period where Mr. Robinson covered expenses to allow her to look into changing careers, after which the two slowly blended things. “Eventually we had one bank account.”

Such decisions and transitions are common in blended families, says Christine Van Cauwenberghe, vice-president of tax and estate planning at Investors Group in Winnipeg. Her practice involves high-net-worth clients who often have blended families, some of them quite advanced in years. They have to consider a number of critical financial and estate-planning issues that go along with divorce, and blending assets with new partners, she says. “You have to sit down with an estate lawyer and financial planner and work things out.”

One big concern is the fact that when there is joint ownership or direct beneficiary designation, one partner can end up inheriting from the other and then leaving everything to his or her own children, which cuts out the children of the first partner, Ms. Van Cauwenberghe explains.

In such cases, it makes sense to have an immediate distribution of part of your estate to your children upon your death, with the rest going to your spouse. This means projecting the after-tax value of the estate and determining the needs of the remaining spouse. If that is deemed inadequate, many couples buy insurance to fund the gap, Ms. Van Cauwenberghe says.

Many couples earlier in life don’t think ahead to this stage, but the most important time to have an estate plan in place is when you have young children, she notes. “It’s about risk management.”

According to Adrian Mastracci, a senior portfolio manager and financial advisor at Lycos Asset Management in Vancouver, it’s important for couples blending their families to first determine their “vision of the big picture,” including major issues — ranging from whether to have more kids to how to run the household and what their eventual retirement will look like. Then they must “reverse-engineer the big picture,” says Mr. Mastracci, and figure out how to get there in a simple and straightforward way, including determining what resources and returns they need.

Estate planning is critical — for example revisiting and possibly changing wills, powers of attorney, guardians, executors and beneficiaries. “The estate plan should match the new relationship,” he says. He advises couples to put some order to their bank accounts, including cash to pay bills, emergency funds and investment accounts, which should reflect their new needs and wishes.

Mr. Mastracci suggests too that couples remarrying bring together experts such as their tax practitioner, lawyer and financial planner to ensure that they have a “unified approach” in certain areas like how to pay bills, as well as whether to have a prenuptial agreement and what it should say. “You have to make sure it’s got the simplest language that everyone understands,” he advises.

Ms. Van Cauwenberghe notes that a lot of people who remarry have “ingrained ideas” about saving, spending and issues such as disability or critical illness insurance, and they may also be paying child or spousal support from a previous relationship.

“It’s all part of the planning process,” she says. “How much do I need to cover all of those various obligations and do I have that much? If [you don’t], you need to fund the difference.”

Blended families especially should have financial plans that deal with expectations and situations that can turn stressful or cause resentment— for example, whether children should work and contribute to household expenses. “Everyone’s got a different idea of what is reasonable,” says Ms. Van Cauwenberghe. “You have to make sure you’re both on the same page.”

Ms. Paris, who now has grandchildren, warns that children in blended families are sensitive to “any kind of inequality,” and money issues can rankle. One decision she and her new husband made when they first married was that the inheritance she would receive from her parents would be invested as hers, to eventually be passed down to her two kids.

When couples first get together, their own inheritances can seem far off in the future, but planning “for every aspect” is important, Ms. Paris points out. “[And] people should attempt to keep emotion out of their money conversations.”