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FINANCIAL PLANNING FOR

LGBTQ+ Couples

By: Emily Taken-Vertz, CFP®

For many couples, finances are a source of angst and uncertainty. But financial planning can help them make the best use of their resources in support of near-, medium-, and long-term goals. Further, an experienced financial planner can bring a steady hand to issues clouded by emotion for many of us, and guide couples in decision-making using the best available information.

Of course, one size doesn't fit all, and some families may face more complicated situations than others. For example, couples with special-needs children can face difficult and additional financial burdens. Others have family ties around the world, compelling them to weigh financial rules in multiple jurisdictions.

LGBTQ+ families are another example of those that may need more complicated planning in their financial lives. Unfortunately, though much progress has been made, much of this added complexity often stems from the fact that these couples have enjoyed less protections and rights as others, both in law and in practice.

A Plan for Collaboration and Exploration

The tenets of sound financial planning are universal. And while all couples must weigh specific considerations when planning around their finances, LGBTQ+ couples must often approach the following items in ways that require particular care and more urgency:

- A prenuptial contract
- Managing finances as a couple
- Ensuring all beneficiary information — wills, proxies, etc. — is accurate and up to date
- Distinguishing (and titling) separate property from marital property
- Family planning
- Retirement planning
- Estate planning
- Philanthropy

The tenets of sound financial planning:

- Setting financial and lifestyle goals
- Taking a financial inventory and assessing one's financial condition
- Developing and implementing financial plans around budgeting and resource management
- Periodically reviewing and (as necessary) updating the financial plan

LGBTQ+ Marriage and the Case for Extra Safeguards

In 2015, the US Supreme Court ruled that all states must grant same-sex marriages and recognize same-sex unions granted in other states. But some states fall short when it comes to entrenching equal benefits and protections, especially for LGBTQ+ people. Further, the federal status quo has come into question with a rightward shift in the high court's Constitutional interpretations, indicated by its 2022 decision to overturn Roe v. Wade, which had affirmed access to reproductive healthcare. As a result, where most financial advice for couples tends to distinguish between protections for married and unmarried domestic partnerships, some LGBTQ+ couples, married or not, may wish to take extra precautions to ensure their wishes are honored despite potential shifts in laws and protections in the future.

Primarily, it's important for LGBTQ+ couples to understand what legal protections exist for them in case of death, divorce, or disability, how these protections can change from state to state, and how they could be affected by changes to state and federal laws. This is an issue of particular importance to the LGBTQ+ community, which has historically been denied basic and equal protections.

In most U.S. jurisdictions, being legally married clarifies issues such as:

- Identity of your next of kin
- Inheritance laws
- Social Security benefits

For married people, benefits due to spouses tend to be recognized automatically by the relevant authorities. For the unmarried, additional upfront paperwork may be required to protect and uphold the couple's wishes. This goes as well for married people, such as members of the LGBTQ+ community, who worry the legal status of their unions could be rescinded.

This concern is anything but unfounded. As matters stand in 2022, only 13 states (and the District of Columbia), home to 43% of the US population, get top marks for LGBTQ+ protections under their laws, according to the advocacy group Movement Advancement Project. Another 22%, living in states with "medium" or "fair" protections, come close. But more than a third of Americans lives in states with "low" or "negative" protections for their LGBTQ+ residents. And, at the county/local level especially, some states with robust antidiscrimination protections in place don't readily honor them in practice.

Setting the Tone

The early phase of a romantic relationship is often exhilarating, and, for most of us, much more fun to focus on than the ins and outs of our finances. But once a couple decides to cohabit, finances come roaring into play. To navigate this, it helps to have open and honest discussions about money — which, though difficult for some, tend to get easier over time.

And it's worth the effort: poor communication about money — a byproduct of personal, familial, and societal taboos — is one of the leading cause of divorce. To keep their relationships healthy, some couples even schedule "money dates" to specifically encourage frank and clear conversations about finances, which can have lasting benefits for the couple.

For more on the importance of communication around money in domestic unions, read Cerity Partners' **In a Relationship? So are your Finances.**

Prenuptial Contracts

For some LGBTQ+ couples, financial planning starts with a prenuptial agreement, reached, as the name suggests, before tying the knot. As one might expect, these contracts can trigger strong negative emotions — including feelings of inadequacy and envy — that can damage the relationship, so couples need to be attuned and sensitive to this dynamic.

But the value of a prenuptial agreement isn't just about bringing long-term clarity to important financial decisions, but also in the discussions that precede them. Talking about the details of a prenup can give the partners a better sense of each other's financial priorities and intentions, and so strengthens the relationship.

And the effect of not having a prenup? It can differ from state to state, but some jurisdictions treat holdings and liabilities brought into the relationship as the sole property of the bearer, while assets and debts acquired during the relationship are split down the middle.

If this seems to negate the value of a prenup, it's useful to know that leaving such matters for divorce (or probate) courts to sort out can be a real gamble, perhaps even more so for LGBTQ couples that may not enjoy the same rights and protections as other couples do under law and/or in practice.

In a prenup, the couple can spell out things like:

- One partner's sole responsibility for discharging student debt
- One partner's sole ownership of property acquired before the couple formed
- Provision for children of previous relationships
- Settlements for partners in case of divorce

Managing Finances as a Couple

Finance and budgeting app Honeyfi surveyed 300 LGBTQ+ people in domestic relationships and found that those who co-managed a shared budget were 81% more likely to report being "extremely happy" in their relationships than couples who didn't collaborate on financial decisions.

Partners don't have to agree on everything. The value of managing household money together comes from feeling close enough to share thoughts on a topic that many of us find difficult, not from having identical thoughts. It's a trust-building exercise that can lead to many practical benefits.

The practical benefits of managing finances as a couple include:

- A fairer division of financial chores such as paying bills, updating budgets, and monitoring credit reports
- Fewer arguments about money
- A somewhat better sex life (at least according to Honeyfi)

Safeguarding Beneficiary Information

Keeping beneficiary information, wills, healthcare directives, and the like accurate, up to date, and accessible is vital to perpetuating one's legacy and specific wishes by removing ambiguity.

Best practice further dictates a two-pronged approach of naming beneficiaries directly on accounts for some assets such as retirement accounts, life insurance policies, securities, and property, and then reinforcing those instructions in a current will or trust document.

In the end, making sure your wishes are clear and documented can save your heirs the expense and bother of protracted legal wrangling and ensure your intentions are respected.

Planning for a Family

Becoming a parent is expensive. For LGBTQ+ couples, the cost can be staggering; often it's heavily front-loaded to support the cost of adoption, surrogacy, or medically assisted fertilization. Still, LGBTQ+ couples are embracing the role of parenthood. One survey found that 77% of LGBTQ+ millennial couples are either parents already or actively planning for it.

The first step in tackling the expense of parenthood for LGBTQ+ couples is to understand what the costs actually are. Expenses linked to adoption or surrogacy can easily top $100,000 according to the Family Equality Council. A single "cycle" of in-vitro fertilization can cost $25,000 or more, according to the New York Times, citing FertilityIQ.

On average, it takes three to four IVF cycles to conceive — and conception is no guarantee of birth. Adoption, surrogacy, and technology-assisted fertilization entail legal work, agency fees, and an array of choices, permutations, and pop-up costs that can swell associated expenses far past the already high initial expectations. And for some couples, it's not just a matter of choosing adoption, surrogacy, or tech-assisted fertilization. Some same-sex couples are constrained to combine surrogacy with medically assisted fertilization to welcome a child into their lives.

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With so much on the line, it's important to plan for the unique expenses that may potentially be associated with LGBTQ+ parenthood. Deciding on how to fund these expenses requires a thoughtful analysis of the couple's finances.

Later-life Planning for LGBTQ+ Couples

Retirement and legacy planning aren't always straightforward for LGBTQ+ couples. Besides the usual tasks of saving and allocating assets for special purposes, emergencies, budgeting, securing assisted-living, and other elder-care provisions, topline issues for same-sex couples may include discrimination in retirement communities and challenges to estate directives.

Unwelcoming retirement homes may be a function of time and place, but it can complicate retirement plans by compelling LGBTQ+ couples to choose more accepting locations that may be more expensive. Some couples opt for at-home care, but that can be a budget breaker as well.

On the inheritance side, it bears repeating that estate and other legal documents must be in order, accessible, and reflect the intentions of the couple — especially where they differ. For example, imagine that one partner wishes to leave assets to children from a previous relationship, while the other wants a portion of the shared estate earmarked for community development back in their hometown. Transparent discussions about divergent priorities should be reconciled and then clearly and uniformly communicated throughout the relevant legal documents.

No Two Couples are Ever Alike

A couple's financial priorities and attitudes are shaped by shared present circumstances as well differing life experiences and attributes, such as upbringing, demeanor, and feelings about money. While some couples enjoy deep discussions about their present and future finances, others consider it a mild form of torture. Most of us fall between these extremes.

In any circumstance, by helping set priorities and making the adjustments needed to achieve them, a skilled financial advisor with an acute understanding of the unique issues LGBTQ+ partners face can help couples achieve the plans and goals that they envision for their financial lives together.

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if you would like to speak with such an advisor, the first step is to contact us here:

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