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Building a Financial Life Together

A quick guide for unmarried women in long-term partnerships.

About

18 million unmarried couples

live together in the U.S.

Up nearly 30% since 2007[1]

[1] Pew Research Center analysis of 2016 Current Population Survey, Annual Social and Economic Supplement, 2017.

Tackling Four Core Challenges

When it comes to money matters, long-term unmarried partners share many of the same financial concerns as married couples. They may worry about making ends meet, while also making sure they're able to save for the future and to provide for loved ones.

But it can be harder for unmarried women to achieve those goals because they often can't rely on the typical legal and economic protections afforded to married partners. This is true for women in heterosexual relationships as well as for same-sex couples.

The good news: Proactive planning can ease potential difficulties while strengthening overall financial security.

This guide provides insights into some of the core challenges unmarried women are likely to encounter. With this overview as a starting point, you'll want to work with a trusted financial professional to help create a comprehensive financial plan that best suits your personal situation.

Now let's take a closer look at four core issues:

Step 1 Managing daily finances

Step 2 Planning for healthcare

Step 3 Preserving wealth

Step 4 Preparing for retirement

Step 1

Managing Daily Finances

Most people who live together communicate about financial matters. For example, both married and unmarried partners discuss how to pay the mortgage or rent, provide support for any children, and squeeze the most out of their take-home pay.

But these tasks are a bit harder when one partner can't access the other's banking or financial accounts. Also, if one partner needs information on employment matters – such as health insurance coverage – permission must be granted first.

Consider taking these basic steps to organize your finances:

- [ ] Sit down with your partner and work out a budget you can both live with.
- [ ] Contact human resources at work to extend access to benefit information to your partner.
- [ ] Share banking and investment account information and passwords with one another.

Another important decision is whether to maintain individual checking and savings accounts or commingle the money in joint accounts. One alternative involves linking bank accounts. This allows partners to maintain their independence when transferring funds between the accounts.

The goal is to find an arrangement that makes both partners feel comfortable and secure. Discuss it with a financial professional to find the best fit for your situation.

Who shares?

When living together as an unmarried couple:

Half of millennials combine financial accounts or share at least one bank account.

Two-thirds of baby boomers have no joint accounts.[2]

[2] Weddings, Marriage and Money. Credit Karma, July 2015.

Step 2

Planning for Healthcare

When it comes to managing the financial impact of healthcare, unmarried partners need to consider two issues: What health insurance benefits they're eligible for, and what happens if one of them becomes disabled or incapacitated.

Although some unmarried partners may need to have separate health insurance policies, check with your employer to see what kind of benefits they may offer to domestic partners. Many large organizations offer healthcare insurance, as well as life insurance, disability insurance, and long-term care insurance to partners.[3]

Next, consider who would manage your affairs in case of disability or death. One solution is to discuss designating a power of attorney. This legal document appoints someone – perhaps your partner or a professional – to handle certain financial affairs. There are two types to consider: A "durable" power of attorney continues during incapacity; a "springing" power of attorney becomes effective only if something that you specify happens.

Finally, coordinate this document with a living will and/or healthcare directive that spells out personal wishes for future healthcare decisions and end-of-life medical care.

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Did you know?

3 in 4

large organizations continue to offer healthcare benefits to both same-sex and opposite-sex domestic partners, and about one-third provide benefits to partners in civil unions.[3,4]

[3] Analysis of employee benefits surveys and domestic partner benefits. International Foundation of Employee Benefit Plans, 2014-2016.
[4] Most states that previously registered civil unions stopped doing so after the 2015 U.S. Supreme Court ruling legalizing same-sex marriage, although not all couples with civil unions have married.

Step 3

Preserving Wealth

Earning income and accumulating wealth is only half the battle. Preserving it is the other. Without the necessary legal documents, unmarried partners have limited rights – if any – when one of them passes away.

First, start with a will, the centerpiece of any estate plan. It governs the disposition of assets so you can leave whatever you want to whomever you want (see the exceptions listed). In addition, a will may appoint a legal guardian for any minor children. If you die without a valid will, state law controls your estate, which, in the worst-case scenario, could deprive a surviving unmarried woman of a partner's assets.

Here are three other considerations.

First, it can be a good idea to review a will every three to five years, or when a significant life change occurs. Events that might trigger a review include a purchase or sale of property, the ending of a relationship or the beginning of a new one, the addition of children to your family, or the death of a beneficiary.

Second, coordinate the will with other legal documents, such as trusts, to maximize estate tax benefits. Currently, all transfers between spouses are completely exempt from federal estate and gift tax. However, the regular exemption for these taxes should be enough to cover most transfers to an unmarried partner.

Third, create a "letter of instruction" spelling out any special wishes, like the disposition of meaningful, personal items or preferred funeral arrangements. It isn't legally binding, but it can provide valuable insights and clarify matters for survivors.

Four ways to bypass a will:[5]

- Designating a beneficiary(ies) for any life insurance policies, annuities, or retirement plans.
- Spelling out how assets are owned (whose name is on the title) can affect whether they transfer to your survivor. An asset can be owned individually, as joint tenants without right of survivorship, or as joint tenants with right of survivorship. Only the last option ensures assets automatically transfer to the remaining owner.
- Setting up bank accounts as "payable on death," or POD, which allows account assets to be passed directly to the named beneficiary(ies) upon death.
- Using a "transfer on death," or TOD, instruction (valid in most states) on individual brokerage accounts and non-retirement investment accounts for direct transfer to the beneficiary(ies) of your choice upon death.

[5] Avoid the Top 10 Mistakes Made with Beneficiary Designations. AAII Journal, American Association of Individual Investors, November 2014.

Step 4

Preparing for Retirement

Research shows that many Americans worry about having enough money to live comfortably in retirement or about outliving their savings. And for unmarried women, the concerns are even more pronounced.[6]

One reason may be that unmarried couples can't count on receiving benefits from the qualified plans and individual retirement accounts of deceased partners. Similarly, pension benefits typically don't extend to non-spousal partners.

With these challenges in mind, consider taking these steps during your working years:

- If possible, both partners may want to maximize contributions to qualified plans, such as 401(k)s and Individual Retirement Accounts (IRAs). Ensure that each person designates the other as the beneficiary of these accounts.
- Consider using a life insurance death benefit to help fund a partner's retirement. If, for example, your partner is dependent on your income (or vice versa), you can purchase an individual policy that names your partner as the beneficiary. This situation is known as having an "insurable interest."
- Make a careful decision about when to start receiving Social Security benefits. If you're unmarried, your partner's benefits aren't available to you based on their earnings history, so choose a start date based on your own record. For more information, visit www.ssa.gov.

Have you saved for retirement?

70% of married working women have, but only **46%** of unmarried working women have.[6]

Ready for a plan?

With these priorities as a guideline, you and your partner can work together to begin planning a more secure financial future. Count on your financial professional to help you build the plan you need for the life you want to live.

[6] Retirement Confidence Survey. Employee Benefit Research Institute, 2017.

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1809 **CLRM534934**