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Second marriages add complexity to financial planning

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CALGARY (CP) - Communication is always the key to good financial planning, but when it comes to the intricacies of a second marriage, it becomes vital.

"For every one issue in the formal traditional family, there are 10-15 issues in the blended family," says Doug Lamb, a certified financial planner in Toronto.

And without sitting down and working through the issues, things like who owns the family home and who gets what in the will can become a minefield of problems.

"It's charged with emotion; it's charged with the potential death of a parent; it's the potential loss of an inheritance - which many people count on or think they deserve or are at least upset if they don't get," says Lamb, who runs Spera Financial Inc.

Perhaps the first thing to realize is there's no single right answer to this. What may work perfectly in one family could be completely inappropriate for the next couple.

But every solution requires communication and thinking ahead to what you want to achieve in the years and decades to come.

Financial planning is a key step whenever people fuse their lives together, whether in marriage or a less formalized relationship.

The difference is that first marriages tend to start out with limited financial assets, so piling resources together to pay bills or save for a house or other goals often makes sense.

In subsequent marriages, especially when there are children from previous relationships, a case can be made to keep certain affairs separate.

But separate doesn't mean secret. All the cards need to be put on the table.

Let your partner know if you plan on retiring by age 60, or want to buy a new car every five years or take vacations each winter.

Financial obligations from previous marriages like alimony or child support also need to be factored in. If you see yourself putting all your children through university, that's fine, but it will be a financial burden that the new couple will have to share.

"I don't get too hung up with whose money it is, what account it's coming from or who's technically paying for it," says Lamb.

But if you're not working in tandem, financial planning can be far more of a juggling game.

Other things that need to be tackled together include updating or redefining insurance needs, as well as what to do with extra real estate if the new union brings together two homes.

All of this might be a jolt to people who are used to handling all their financial affairs themselves, says Marc Lamontagne, a certified financial planner with Ryan Lamontagne Inc. in Ottawa.

But financial stress on the relationship can be mitigated by coming up with a plan to handle the daily costs of living. Who will pay what bills? Does each person keep separate bank accounts or is there a joint account to pay some or all of the bills? And how much money needs to go into the joint account each month?

There are also various tax saving opportunities for people getting remarried. The partner with the higher income might want to handle most of the house expenses, while the lower-earning spouse holds most of the couple's non-RRSP investments so that they're taxed at the lower rate.

Finally, the most contentious issue can be rewriting wills after getting remarried.

Lamontagne suggests bringing the extended family together and explaining your choices, instead of leaving things unsaid and unsettled.

And make sure matters are clear and you've thought about the big picture - especially with blended families where your spouse and children from both sides are entitled to consideration.

If you're leaving the house to one set of kids, you'll need to make sure your spouse and other children are also cared for and have somewhere to live.

"The biggest thing I find with families is there's no communication," says Lamontagne.

"In my family growing up, it was rude to talk about money issues at the dinner table. People need to get over those hurdles and talk about what's going to happen."