

A financial checklist for domestic partners



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Domestic partners have unique financial needs.

As someone in a domestic partnership, you have some financial concerns that are similar to those of other individuals. But you are also in a unique position personally and legally. The following checklist is a general guide that a domestic partner could follow to begin a financial strategy process. Please note: For this purpose, we are defining a domestic partnership as an unmarried couple in a committed relationship.

A domestic partner should consider working with a personal tax advisor and a local attorney with expertise on state and federal laws that impact these financial concepts and opportunities.

The U.S. Supreme Court has held that all states are required to license marriages between two people of the same sex. But some couples today, whether same-sex or opposite-sex, have chosen to remain unmarried. The following general guidelines provide a framework for discussion with a financial professional, tax advisor, and attorney, if you are in a domestic partnership.

1. INCOME TAX ISSUES

- Review tax filing status requirements – single, head of household, etc.
- Review the possibility of claiming other(s) as a dependent – partner and/or children.
- Determine whether either partner has any employment-related taxable income.
- Consider how income tax brackets can be managed through gifting taxable investments to the other partner in light of income and gift tax rules. Understand that the gifting partner gives up control of the investment.
- Determine whether tax deductions can be grouped to benefit the partner who could best utilize them.
- Check on similar issues for state and local income taxes, if applicable.
- Consider how any tax strategy used might affect each partner in the event of a separation.

Be sure to consult your tax advisor on these issues.

2. RETIREMENT ISSUES

- Determine whether your or your partner's employer provides any retirement benefit option for either (or both) of you.
- Review and update the beneficiary designations on your and your partner's 401(k), IRA, nonqualified annuity, and group life insurance contracts. Review the options available to nonspouse beneficiaries.
- Consider the benefits of Roth IRAs for nonspouse beneficiaries, which can include tax-free income through qualified distributions to beneficiaries and continued income tax deferral.
- Conduct retirement income need analyses under various scenarios: assuming both you and your partner live until life expectancy, assuming one partner dies prior to life expectancy, and reversing the assumptions.
- Discuss the issues of Social Security retirement benefits terminating after a retired partner dies; consider life insurance to meet survivor retirement needs.
- Consider how any retirement strategy used might affect each partner in the event of a separation.

3. ESTATE PLANNING ISSUES

- Discuss how your attorney could document your wealth transfer wishes in a will.
- Review how your property is titled and coordinate it with your will. (Keep in mind that property held in joint tenancy with right of survivorship passes to the survivor automatically and overrides the will.)

- Review and update all beneficiary designations on 401(k) plans, IRAs, nonqualified annuities, and life insurance; avoid naming your estate as a beneficiary.
- Consider how a living trust funded today could provide value to avoid intestacy laws and bypass the probate process.
- Review possible irrevocable trust applications if federal or state estate taxes are a concern.
- Discuss appropriate guardians for any minor children; your attorney can document this in your will.
- With a local attorney, review the state laws on how to designate someone else to make health care decisions for you if you are not able to do so; your attorney documents this for you in a health care directive or other appropriate document.
- With a local attorney, review the state laws on how to designate the kind of life-supporting measures you want if you become incapacitated or terminally ill; your attorney documents this for you in a living will or other appropriate document.
- Consider a cohabitation/domestic partner agreement drafted by an attorney to protect partners in the event of a separation.
- Discuss with an attorney how a general and durable power of attorney could provide value to you and your partner.
- Provide special attention to any real estate owned by one or both partners, and determine with a local attorney the best method to transfer it to a surviving partner if so desired.
- Discuss personal desires for funeral and other final arrangements (e.g., services, burial location, cremation, etc.); in addition, consider documenting them with your attorney.

Be sure to consult with a local estate planning attorney for these issues.

4. OTHER SPECIAL CONSIDERATIONS FOR DOMESTIC PARTNERS

- Determine how to pay for/provide for care if one domestic partner should have to enter a nursing home.
- Consider other workplace benefits that may or may not be available, such as family medical leave, health insurance benefits, etc.
- Other issues not mentioned above.

By discussing and preparing for the unknown with your partner, you can take steps now to help avoid financial problems, conflicts, and delays for both of you in the future.

Talk to your attorney and tax advisor today to review these issues. And meet with a financial professional who understands your unique situation and will provide you with the financial products that may be appropriate for you and your partner.

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