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Another Family? Keep the Money Straight.

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For older adults who are young at heart, a second marriage can bring comfort and companionship. But tying the knot in later life also can bring financial complications, which -- for most people -- weren't an issue the first time around.

Unlike young newlyweds, where a tough decision might involve merging music or movie collections, older couples have paid-off houses, retirement accounts and life-insurance policies to consider.

There's planning for long-term health needs that, unfortunately, might arise in the not-too-distant future. And to make matters more difficult, there can be children and grandchildren on both sides of marriage, many or all of whom might have conflicting interests and loyalties.

Divorces, too, can be more complicated for the same reasons.

"Marriage has elements of a business relationship," says New York attorney **Philip Bouklas**. "When you go into a business, you want an agreement specifying what your obligations are."

More Than Money

But it ultimately isn't about dollars and cents, he says. "When you have children with a prior marriage, you want to keep the harmony," Mr. Bouklas says. "I've seen too many situations where the spouse dies and the children who had a nice relationship with their stepparent end up at odds with them."

That means that amid the wedding planning, couples may want to take the time to sit down and do some estate planning.

"It's far more important for seniors than for a younger couple," says Martin Shenkman, an attorney in Teaneck, N.J.

Among the tools that could be most useful is a legal document that most people might think is only for the rich and famous: a prenuptial agreement. While prenuptial

agreements are often used for defining who gets what in a divorce, they also can also set guidelines for what happens when one spouse dies.

Consider a simple scenario involving a couple who both have children from a previous marriage. The wife, in this example, has a will saying that all her assets should go to her children. So, when she dies, everything goes to her kids, right? Wrong.

Most states have laws dictating that irrespective of the will, a certain percentage of those assets must go to the spouse. That spouse could leave his assets to his children -- and the wife's children don't get what they were originally supposed to receive under her will. "You can end up with your hard-earned savings ending up with kids of your second spouse," says Bernard Krooks, a New York attorney.

This can be overcome in a prenuptial agreement (or in a stand-alone agreement) where the spouse waives his or her rights to the assets that would otherwise automatically be granted to them under their state laws.

A middle ground could also be the establishment of a trust that provides the surviving spouse with income from investments or access to some specified portion of the assets, but protects the rest to be passed on to the deceased's children. In the case of a house, an agreement can provide the surviving spouse a roof over his or her head, but also stipulate what would happen if the spouse remarries.

Retirement Funds

Retirement accounts require special attention. Most companies that oversee 401(k)s or other qualified retirement plans will automatically make a spouse the beneficiary on the death of the account holder. "You generally need to get a waiver from your spouse in order to name somebody else as a beneficiary," says Mr. Krooks. He cautions, however, that when doing so, there are tax issues to consider, because tax laws offer significant benefits to spouses as beneficiaries.

Many couples entering a second marriage will decide to keep their investments and savings separate, but pool the money they need to cover day-to-day expenses in a joint account.

Mr. Shenkman suggests that to make it easier to track the source of the income, spouses should have their accounts at the same firm. "You'll also get a much better coordination when it comes to an investment strategy," he says. Another way to keep records of assets and income is to have an accountant fill out a set of tax forms on the basis of "married but filing separately" even when couples actually are filing joint taxes, Mr. Shenkman says.

Divorce, Diversity

When it comes to older couples and divorce, there are also different concerns than for younger spouses.

Particular focus should be paid to how retirement assets are divided; people in their 50s and 60s, for instance, have less time to correct mistakes in retirement planning, which could leave them short of income in later life. For example, rather than simply just divvy up investments by account, an attempt should be made to allocate investments in such a way that each spouse has a properly diversified portfolio.

If life insurance is deemed necessary, getting a new policy late in life may be prohibitively costly. Instead, couples may want to work out an arrangement in which one ex-spouse maintains life-insurance coverage for the other, says Mr. Shenkman.

"For many people the immediate response in a divorce is to just cancel the life insurance," he says. "But people need to think real hard about whether they can replace it."