Planning issues for unmarried couples

Married couples have many legal benefits that are not available to unmarried partners — social security spousal and survivor benefits, IRA and Roth rollover benefits, marital deduction for estate planning and pension/ERISA protection for spouses — just to name a few.

Because unmarried couples have fewer legal options regarding wealth protection and wealth transfer goals, planning for them can be complex. What are the considerations?

**Estate plans**
- Without an executed estate plan, the surviving partner will be cut out of any inheritance.
- Proper beneficiary designations on life insurance and retirement plans are necessary for the surviving partner to benefit.
- If an estate is greater than the federal and/or state estate tax exemption, estate taxes will reduce the amount passing to the surviving partner.

**Gifting**
Unmarried couples do not have the ability to gift an unlimited amount to their partner without transfer tax consequences. Instead, they are limited to the annual exclusion ($15,000 in 2018). This can impact couples in ways most might not consider.

**Housing**
If a couple does not contribute equally to the down payment or total cost, one half of the difference is a gift that would need to be reported on a gift tax return.

In addition, payment of the mortgage, insurance and property taxes along with maintenance and improvements may also be a gift if unequal.

**Life insurance**
If each individual owns life insurance (outright or through an employer) for the benefit of their partner, proceeds will be included in the gross estate of the policy owner. If each person owns a policy on the other, the proceeds would not be included in the decedent’s estate. There may also be gift tax consequences regarding payment of premiums.

**Health care**
If a partner is covered on an employer-provided health plan, the portion of the premium the employer pays is imputed taxable income to the employee partner. Plus, unmarried couples cannot use a Health Savings Account or Flexible Savings Account to cover medical costs for the non-employee.

These legal documents can help each partner retain control of financial and health care decisions for the couple.

They can be especially crucial in the event of one partner’s injury or incapacity. Without them, important decisions concerning medical care may fall to next of kin rather than the other partner. In addition, the partner may also be denied visitation rights.

It is also important to note state and federal laws and recognition vary depending on state of residence for unmarried couples who are in a civil union, domestic partnership or common law marriage. So it is critical for unmarried couples to know the laws for their state and to review the laws of any state where they plan to live or own property.

**Help is available**
RBC Wealth Management® financial advisors can work with attorneys to help unmarried couples obtain these legal documents and make well informed financial decisions related to them. Both professionals contribute specialized expertise to help unmarried couples accomplish their important wealth protection and wealth transfer goals.

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