



# Questions Every Engaged Military Couple Should Ask

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## **In This E-Book:**

- Who will be in charge of the family finances?**
- Will you pool your money or have separate accounts?**
- How will you resolve financial disagreements?**
- Do each of you have a will?**
- Do you have life insurance?**
- Do you have enough life insurance?**
- Do you have the right kind of life insurance?**
- How will you file your taxes after marriage?**
- Are you going to change your last name?**
- Have you updated your benefits?**
- Have you planned for children?**

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## Who will be in charge of the family finances?

Some couples decide to take care of the family finances as a team, and some couples decide to have one spouse in charge of the finances. Regardless of who takes care of the finances, each spouse should know the family's financial situation and should also have a say in how the family's money is spent and invested.

At the very least, each spouse needs to know the following:

- How much money you have as a couple
- How much goes in and comes out each month
- How much life insurance each spouse has
- What your wills provide

## Will you pool your money or have separate accounts?

- You can cover all the bills from one joint account
- You can have his, her, and ours checking accounts
- You can have his and her accounts and each pay a percentage of the bills

As a couple, you need to be very honest with each other in setting up your system. If one person feels threatened by the other's spending, it may be essential for each party to have a separate account. If the thought of pooling your money terrifies you, however, you may need to reconsider the marriage before you become involved in a bad situation.

Remember that keeping a separate account doesn't necessarily protect it in the event of a divorce, nor does it keep you from being responsible for a spouse's bad debts.

## How will you resolve financial disagreements?

Inevitably, the day will come when as a couple you will have a financial disagreement. Maybe one spouse wants a bigger house, while the other wants to put money into a business or buy a boat. Discussing these disagreements in advance can help keep your marriage peaceful. It is a good idea to keep your financial priorities in mind when settling disagreements.

- The first priority is saving money for emergencies and securing your financial future.
- After that, it's a good idea to give priority to those purchases that promote your long term goals (such as an investment in a promising, well-considered business), those investments that can be sold at a profit later while providing a benefit in the present (a house, in some cases), and those investments that promote you and your children's health and welfare (healthy food, education, college planning, etc.).
- Keep a small portion of your budget for totally frivolous, "just because I want it" investments, but be sure to allocate it to **both** spouses. Agree in advance that you won't spend more on these items than a set, affordable portion of your budget.

## Do each of you have a will?

If a spouse dies and doesn't leave a will, any of the assets held only in their name may need to pass through probate. This can be both expensive and time-consuming. Moreover, state law may dictate the distribution of the assets in a way that does not comport with the spouse's wishes. For that reason, everyone needs at least a simple will. As a couple, you should consult an attorney for help with drafting a will.

### LEGAL HELP FOR MILITARY MEMBERS

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<http://www.militaryinstallations.dod.mil>

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"If you need to write your will, are considering signing a lease, or need a power of attorney or notarized signature. Then you need legal assistance, and best of all, military servicemembers and their families have access to legal assistance, absolutely free..."

<http://www.military.com/benefits/military-legal-matters/legal-assistance-and-jag/free-legal-assistance.html>

## Do you have life insurance?

- Are you the sole support of the family or are you a two-career couple?
- What would happen if one spouse died?

In most cases, as a couple you will want to take out enough life insurance to allow your spouse to maintain their lifestyle if the other spouse were to die unexpectedly. This calculation needs to be revisited as you add to your family, with the amount increased to cover additional costs.

Even if only one spouse works, in most cases both spouses should still have life insurance. If a spouse couldn't afford to cover funeral costs or replace child care and home maintenance services in the event of the other spouses death, then life insurance can be used to help with those costs.

When members join the military, they should be automatically enrolled in the Servicemen's Group Life Insurance (SGLI) for the maximum amount of coverage and premiums are automatically deducted from their military pay. Military members should check to make sure they are covered by SGLI and check to see how much coverage they have.

U.S. Department of Veterans - Servicemembers' & Veterans' Group Life Insurance  
<http://www.insurance.va.gov/sglisite/sgli/sgli.htm>

## Do you have enough life insurance?

It is not uncommon for servicemembers to be told that all they need is Servicemen's Group Life Insurance (SGLI), when frequently that would be poor advice. Every insurance decision should be made only after a thorough budget review, as well as a life insurance needs assessment.

The Department of Veterans affairs provides a Life Insurance Needs Calculator on-line [<http://www.insurance.va.gov/sgliSite/calculator/needsCalc.htm>]. This calculator helps military members to determine the amount of life insurance coverage needed.

To determine the amount of life insurance needed, the calculator takes into account current financial obligations, existing assets, and the income that would be needed to support a surviving family. It also takes into account how long the family needs to be sustained. The calculator is intended as a guide in the process and does not replace the services of a financial or insurance specialist who can fine tune your individual circumstances.

If you do not have enough life insurance through SGLI, then you might want to consider getting a supplemental policy.

## Do you have the right kind of life insurance?

Military members have specific concerns that they should consider when purchasing a supplemental life insurance policy. The policy should not have a “war clause” and it should be “portable”.

- **The life insurance policy should not have a “War Clause”.**

A war clause in a life insurance policy means that the policy will not pay if you die as a result of war or combat duty. As a military member, to make sure that your family will receive the benefits of a life insurance policy, choose a life insurance policy that does not have a war clause from a life insurance company that specializes in military members.

- **The life insurance policy should be “Portable”.**

If a life insurance policy is “portable,” then when an individual leaves a group they retain their life insurance as an individual with the same carrier without an increase in premiums and without any changes in coverage.

If a military member leaves the military, Servicemembers’ Group Life Insurance (SGLI) terminates 120 days after leaving. In other words, it is not “portable.” Members do have the option to convert their SGLI to Veterans Group Life Insurance (VGLI). Many service members, in leaving the military, do not convert to VGLI because it can be very expensive and increases in cost over time.

Because SGLI is not “portable”, military members might want to consider getting a supplemental life insurance policy that is “portable”.

For more information, read the article “Beyond SGLI” at Military.com written by Captain Mike McHugh.

### **Reasons why military members should consider purchasing permanent life insurance to supplement their SGLI while still in the service:**

- Servicemembers Group Life Insurance (SGLI) is not a permanent insurance solution. SGLI terminates 120 days after leaving the service.
- When purchased at a young age, permanent cash value life insurance premiums will remain low and fixed, and the return on many cash value products is outstanding in comparison to other financial choices.
- The cash values accumulated from a permanent cash value life insurance policy can be used in helping the transition from military to civilian life.
- Cash value life insurance provides death protection that will be there for a family if necessary.
- Disability incurred during service could make purchasing standard insurance at normal rates almost impossible after leaving the service.

### **How will you file your taxes after marriage?**

Once you get married, you can choose to file jointly or separately. For many married couples, filing jointly has a significant positive impact on their finances. Some couples choose to get married sooner rather than later to take advantage of tax breaks. A few are better off filing separately. Depending on your situation, getting married can help you pay less in taxes in the long run and should be discussed with a tax professional.

Filing jointly when one spouse makes significantly more money than the other can be a huge advantage. When filing jointly, the standard deduction doubles. If the standard deduction is \$5,000 for an individual taxpayer, the standard deduction is \$10,000 for married filing jointly. If one spouse earned \$50,000 for the year and the other earned \$2,000 for the year, it's almost as if each spouse is earning \$26,000. A \$10,000 deduction is taken out despite the fact that one spouse earns more money. If they filed separately, most of the standard deduction for the spouse who earned \$2,000 wouldn't be used.

There is a possibility of a marriage penalty depending on your income situation. Due to the doubling of the standard deduction and adjustments in the tax brackets, most couples don't have to worry about this. These adjustments were enacted to minimize such penalties. However, those who have much higher income are pushed into higher tax brackets that haven't been adjusted completely for two people. These couples may end up paying more in taxes filing jointly than if they filed separately.



Married couples save tax money on more than just income tax. If you're selling your home, as a married couple you will get a double tax break. If the married couple has lived in their home for at least 2 of the last 5 years of ownership, \$500,000 of profit can be excluded from taxes whereas only \$250,000 can be excluded for single individuals. For those who don't have homes with a large profit margin, this is negligible, but couples who are selling for a large profit can save a significant amount on taxes if they file jointly.

Some people get married looking forward to the tax benefits. Most married couples will benefit from filing jointly due to the many tax breaks available when filing jointly. The best way to pay the least amount in taxes possible is to analyze your situation thoroughly. How much would you pay if you filed jointly and how would you pay if you filed separately? Most likely, filing jointly is the best way to go, but if you're concerned because both you and your spouse have substantially high incomes, experimenting with both ways is a smart decision. ***As always, your personal tax situation should be discussed with a tax professional.***

According to the IRS website, military members and their spouses may be eligible to receive free tax return preparation assistance. The IRS and U.S. Armed Forces participate in the Volunteer Income Tax Assistance program which provides free tax advice, tax preparation, return filing and other tax assistance to military members and their families.

Visit the "Military Personnel and their Families Get Free Tax Help!" page on the IRS website.

<http://www.irs.gov/uac/Military-Personnel-and-their-Families-Get-Free-Tax-Help!>

#### **Disclaimer**

***This information is intended for educational purposes only. This information should not be considered tax or legal advice. Individual circumstances vary. Please seek the advice of your accountant, tax professional, and/or legal advisor for answers to specific questions and to review your individual circumstances.***

## Are you going to change your last name?

If so, you will need to change your name on every single account you own, as well as on work documents.

## Have you updated your benefits?

Change the following to reflect your marriage:

- Thrift Savings Plan (TSP)
- Military Pension
- Health Insurance
- Other military documents

## Do you want to add your spouse as a joint tenant on your assets?

Joint tenancy has advantages and disadvantages, depending on your state laws. In some cases, tenancy by entirety is a better choice. If you have very substantial assets, you will want to discuss this with your attorney or financial planner. Note that in some cases, adding a joint tenant could result in liability for gift taxes.

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*<http://www.military.com/benefits/military-legal-matters/legal-assistance-and-jag/free-legal-assistance.html>*

## Have you planned for children?

The financial aspects of having children need to be thoroughly considered before getting pregnant, including the possibility that a child might have special needs and require more costly care.

- Will one spouse quit work?
- Can you cover the high costs of childcare?

## What happens if we divorce?

No matter how blissful your relationship, this possibility needs to be considered. If either of you has substantial assets, consider a prenuptial agreement.



Questions?

For more information, contact  
Trans World Assurance at  
(650) 348-2800

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