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Starting over: Financial tips for blended families from CIBC's Jamie Golombek

Untangling finances when blending families may help protect assets and minimize marital discord and stepfamily rifts down the road

TORONTO, Aug. 23, 2016 /CNW/ - **CIBC** (TSX: CM) (NYSE: CM) – If you're remarrying or entering a relationship later in life, love and trust aren't enough, says Jamie Golombek, Managing Director, Tax and Estate Planning, Wealth Strategies Group, CIBC in a new report,*Starting Over: Financial Planning Tips for Blended Families.*

"With blended families being a common reality, it's vitally important to seek professional assistance when merging your finances to help minimize marital problems down the road and potential rifts or squabbling among stepfamilies," he says. "There are a lot of issues to wrestle with. Being able to talk openly and candidly with your partner about income, expenses, assets and debt is critical. Look at it as an opportunity to start over and put your financial house in order."

Earlier this month, a CIBC poll surveyed Canadians who are planning to marry or live common-law within the next 24 months. The findings show that:

- Almost a third (**27 per cent**) between 35 to 54 years old had previously been married and divorced. That rate jumped to almost half (**46 per cent**) for the 55+ age group.
- One quarter (**25 per cent**) of Canadians aged 35 to 54 have underage children from previous relationships.

"You want to make sure everyone feels part of the new family, and how you talk about money and agree on how you will support your children or grandchildren can impact that," he says.

In his new report, *Starting Over: Financial Planning Tips for Blended Families,* a companion piece to *For Richer or Poorer* for newlyweds, Mr. Golombek outlines the key financial considerations for people who plan to remarry or live common-law and who bring children and/or significant assets with them. With a recent CIBC Capital Markets report pointing out that baby boomers will inherit an estimated $750 billion in the coming decade, estate and legacy planning is going to become critical, he adds.

Even "living together" as an option isn't as casual as it may seem, he notes.

"The financial implications can be the same as marriage," he says. "This is particularly important since a lot of people can unwittingly end up in a common-law partnership merely by living together. How it's viewed legally differs from province to province."

Blending Finances? Here are 5 Things to Consider

1. **Current Financial Status** – Have the money talk. Do you and your partner come to the relationship with similar or different financial resources? Discuss credit scores, income, assets and debts that you are bringing to the relationship. Also consider your typical expenses, including support for children and/or grandchildren and financing your kids' education.
2. **Blending Finances** – In *For Richer or Poorer,* Mr. Golombek provides three ways to manage together once you've become a couple: share everything; expenses-only; and, assign expenses, which can be applied for any couple whether it's their first time entering a relationship or those joining up later in life or perhaps a subsequent relationship.
   Other questions to consider include: Do you have to pay spousal or child support? Do you keep the pre-relationship debt in one person's name? Do you refinance the debt? Do you set up joint savings accounts?
   A marriage contract or cohabitation agreement can help create a common understanding about money between you and your partner, help dictate how your property must be shared if your relationship breaks down and minimize family tension.
3. **Retirement and Estate Planning** – Discuss when you'll retire and how you'll fund your retirement years. Will you or your partner continue to work? Review spousal benefits. Consider setting up spousal or partner trusts on your death and consider the pros and cons of designating beneficiaries in your will versus marriage/cohabitation contracts and plan documents, such as RRSPs, RRIFs, TFSAs, life insurance policies or pension plans.
4. **Update your documents** – The vast majority of Canadians surveyed in CIBC's Couple Finances Poll, who are about to marry or live common-law, lack crucial legal documents:
   72 per cent had no written will;
   90 per cent had no powers of attorney; and,
   89 per cent had no marriage contract or cohabitation agreement

"Without these important legal documents, couples risk having their financial plans thrown off track in the event of separation, divorce, disability or death," says Mr. Golombek.

It's important to re-assess and update any estate planning that you've done before remarrying or living common-law. This includes, for example, wills, insurance policies, powers of attorney, beneficiary designations on registered plans, trust agreements, and investment plans.

5. **Get Expert Advice** – As laws vary between provinces and territories, seek expert advice from tax, financial and legal professionals before saying 'I do' or living common-law.

KEY POLL FINDINGS

Percentage of Canadians planning to get married or enter into a common-law relationship, as defined as living with a partner for at least 12 consecutive months, in the next 24 months:

	National	18-34	35-54	55+
Were previously married and got divorced	18%	4%	27%	46%
Have underage children	16%	13%	25%	4%
Have a written will	28%	14%	36%	60%
Have a power of attorney	10%	4%	14%	17%
Have a prenuptial agreement	11%	11%	9%	14%

2016 CIBC Couple Finances Poll Disclaimer

From July 15-21, 2016, an online survey was conducted among 1,047 randomly selected Canadian adults who are Angus Reid Forum panellists and plan to get married or enter into a common-law relationship, defined as living with a partner for at least 12 consecutive months, in the next 24 months. The margin of error - which measures sampling variability - is +/- 4.0 per cent, 19 times out of 20.