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According to Statistics Canada, approximately 40% of marriages end in divorce. There are significant provincial variations as 44% of Quebec marriages end in divorce, whereas the Newfoundland rate is only 22%. These figures do not take into consideration common law couples who end their relationship. In this edition of the Canadian Financial Planner, we shall review various financial planning issues related to second marriages, including:

- financial planning issues that can be resolved prior to marriage
- prenuptial agreements
- estate planning issues
- unique circumstances related to the matrimonial home
- ongoing issues with former spouses

Second marriages have been called relationships where eternal hope beats experience. Many second or third marriages have circumstances that give rise to unique financial planning issues when compared to first marriages. These include:

- the couple may have children from a previous marriage
- there may be a significant difference in the level of wealth between the individuals
- there may be support obligations to former spouses or children of previous relationships

Although conventional wisdom suggests that second marriages should be more successful than first marriages, the statistics do not support this view. It has been suggested that a person in a second marriage may walk away from an unhappy relationship, as the couple may not have children together or since they have already experienced divorce, there is no fear of the unknown.

After twelve months of living together, a couple is considered to be married for purposes of the Income Tax Act, but not for provincial family

law issues. As a general rule, common law couples may have support obligations if they separate, but assets are only equalized upon separation for married couples. For example, in Ontario an unmarried couple may be considered spouses for purposes of support if they have lived together for at least three years or had a child together, but not for equalization of assets.

We shall review various financial planning issues facing a fictional couple who are about to marry and have the following background:

- the husband has two sons from a previous marriage. One is a young adult who has left home while the other is a teenager who resides with his former spouse. He owns a home and has investments worth approximately \$3,000,000. A key objective of this individual is to leave a significant inheritance to his two children from the previous marriage. He currently pays both child and spousal support
- the wife has one grown child and a teenage daughter who still lives at home. She owns a home but has no other material assets

A common issue for this type of blended family is the husband wants to ensure that not only his spouse has financial security upon his death, but that his children from the previous marriage receive a significant inheritance. Although the couple has four children from previous marriages, there may not be a desire, especially by the husband, to split his assets equally between the four children since the husband entered the relationship with significantly more assets. The husband may also have a concern that upon his death, his current spouse may remarry or change her will and this may result in his sons not receiving the inheritance that was planned.

Note – The remainder of this article is only available to subscribers of the Canadian Tax Planners Newsletter. If you elect to subscribe and wish to receive a copy of this newsletter, advise us accordingly and the complete article will be forwarded by return mail.