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Marriage split can rip cash from you

BYLINE: Erica Thompson

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WITH skyrocketing house prices and rising living costs, pooling your resources might seem like a ticket to financial stability.

However money and marriage don't always mix -- particularly if you're tying the knot later in life (or again) and already have financial baggage.

``It would be fair to say that there is an economic bias towards couples," says McCullough Robertson Lawyers partner Matthew Burgess.

``But if you're coming at (marriage) a little bit later, arguably you're bringing more to the relationship and have more to lose.

``Even if you stick together there can be some very nasty tax outcomes that wouldn't otherwise be expected."

For instance, he says the ability to claim tax deductions can be undermined depending on how you manage joint assets.

``If you're getting together and you've both got a property, for example, and you move into one, then the other one is not going to be tax-free when you sell it because of the way the tax rules work," he says.

``If you run your own business, it can be critical whose name it's registered in. And then certainly at the other end if you're busting up, there can be enormous tax problems because often that means you're having to sell assets to divvy everything up and that can quite often trigger tax and stamp duty if you're not careful."

Marriages involving children can be even more complicated.

AMP financial planner Wendy Scarlett says: ``Partners may be paying child support for children from the previous relationship. This can mean less income to contribute to the new relationship.

``Children also fall into the mine, yours or ours problem. An agreement should be made about spending for younger dependants or even older adult children otherwise feelings of resentment can quickly lead to marital tension."

One option is a pre-nuptial agreement, which sets out the financial ground rules should you split up.

Mr Burgess says: ``They're designed to deal with anything that the couple bring to the relationship, anything

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that the couple generate together in the relationship and anything that comes into the relationship from outside." But the stigma -- and the cost (both partners are required to obtain independent legal advice) -- of pre-nups can douse the flames of passion.

Even couples who agree to make one can find the details a source of contention.

Mr Burgess says: "One partner might say: 'Well, your unit is in a good part of town while mine is in a bad part of town so yours is going to grow (in value) faster'."

However the consequences of letting fate take its course can cause much bigger dramas -- as demonstrated by the recent Heather Mills and Sir Paul McCartney divorce showdown.

"If you have something in writing, you can always come back and revisit that and tidy it up if circumstances have changed," Mr Burgess says.

"If you don't do it, it effectively gets left to third parties . . . and you really don't have any say at all in the process."

He says pre-nups should be part of an overall estate plan, which includes having a proper will drawn up, and can be made before or after you get married.

If things have already gone pear shaped, Ms Scarlett says an ugly fight-to-the-death in court could financially put both parties at ground zero.

"Many people who become divorced also do so at a time in their lives when there is still significant debt on their property," she says. "So by the time this is repaid and the remaining assets are split, they end up with insufficient funds to start again and a seriously diminished ability to accumulate enough wealth for retirement."

Before you say 'I do'

* Are you financially compatible? Is one a spendthrift and the other a scrooge? Opposites don't always attract when it comes to money

* Be clear about what assets and liabilities each person brings into the marriage. A partnership is just that -- each partner is liable for the debts of the other

* Seek advice about whose name assets are held in. Joint assets revert to the survivor if one person dies whereas individual assets are distributed through the estate as requested in the will

* Consider a pre-nuptial agreement to set out what happens if you separate

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