

Count the cost of love

HOW TO AVOID THE FINANCIAL TRAPS OF SECOND MARRIAGES

FINANCE

ANTHONY KEANE

Breakups often turn into financial free-for-alls, and nowhere can this be more painful and confusing than with second marriages.

One-in-five Australians who get married each year are doing it for the second time, often bringing children, complex assets, big super balances and insurance policies to the party.

Millions of other non-married couples are in relationships that are essentially the same when it comes to joint assets, creating a financial minefield if things don't work out.

However, pain can be prevented if couples have some honest discussions before tying the knot for the second or third time, financial planners and accountants say.

The latest Australian Bureau of Statistics data shows that in 2019 there were 113,815 marriages, including 5507 same sex marriages.

Divorce rates have been falling for the past 20 years but there were still 49,116 divorces in 2019, and a person divorcing had an average marriage duration of 12.2 years – plenty of time to develop complicated financial affairs.

Pride Advice CEO Brett Schatto says 30 per cent of first-time marriages end in divorce and that jumps to 60 per cent for people having a second go.

"I'd wager there are a significant number of failed second marriages that could have gone the distance if certain conversations had taken place early on," he says.

"Don't ignore things that frustrate you, and don't try to forget about any uncomfortable feelings."

Schatto says consider this potential conversation: "I really do love you and want to spend the rest of my life with you, but if I go first my kids get everything I have. This house is in my name, so you and your kids would have to move out so my kids



Key questions to discuss

- Are you remarrying for the right reason? For love, and not loneliness, financial problems or filling a parental gap?
- Do you know your partner's intentions?
- How are your assets owned and who would get them if you or your partner died?
- If you die first, could your new partner change their will and cut your kids out unfairly?
- What is the likelihood of legal battles if you or your partner die?

could sell it. Oh, and they get my super along with my life insurance payout – what's wrong, honey? You look angry. Is it something I've said?"

These topics are a "romantic kill zone", Schatto says, and potential pitfalls should be discussed and

negotiated well before wedding ceremonies. A professional adviser or estate planner can help give couples neutral and knowledgeable help, he says.

"And don't think you can sneak your way around this by simply living together and avoiding marriage. In the eyes of the law, there's very little difference between a marriage and a de facto relationship."

Minnik Chartered Accountants founder Leah Oliver says disagreement over financial matters is the number one cause of relationship breakdown but can be masked by other less-relevant reasons.

"In this sense, the elephant in the room lives on and the relationship

gradually disintegrates," she says.

"Open communication is key, as well as arranging a binding financial agreement that outlines your individual financial positions and how your assets are divided in the event that the relationship breaks down."

Oliver says second marriages generally involve merging families and children, and "the more people involved the higher the risk".

"People need to be making very clear boundaries in writing to prevent complications," she says.

"Understand that maintaining separate residences and staying over at each other's properties may not

necessarily protect you from the financial risk. Two residences can be considered combined residences when it comes to the division of assets."



BRETT SCHATTO

Lawyers say prenuptial agreements are controversial but legally enforceable, and if both parties are happy with its contents there's less chance of a legal challenge later.

They can protect specific assets and prevent one partner from claiming the other's large future inheritance. However, starting the pre-nup conversation may require as much skill, good timing and reassurance as any relationship.