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Just Not Married

Thinking of moving in? Find out how to avoid the financial pitfalls of cohabitating couples whether you're together forever, or just until the lease runs out.

WEB EXCLUSIVE

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Sept. 28, 2005 - When Larry Ruhlman, 22, decided to move in with his girlfriend of three years, he wasn't worried about who would pay for the furniture or whose name should be on the joint credit card bill. He was more concerned with making the relationship work. Larry and his girlfriend Deanna, had gone to the same college in Houghton, Mich., and they already spent most of their time together, so sharing a two-bedroom apartment seemed like a logical next step. "I can honestly say that the last thing on our minds was financial matters," says Ruhlman.

But six months later, the relationship ended, leaving behind more than just a couple of broken hearts. It also left broken pocketbooks and grudges about who should keep co-owned items and who should pay outstanding credit card and utility bills.

Today, many young couples find that living together is an important trial period when contemplating marriage. Others are content to "cohabit" with no aspirations of one day tying the knot. And same-sex couples don't have much choice since only Massachusetts allows them to marry. Regardless of the reason, the number of unmarried couples living together has continued to rise over the last few decades. According to the U.S. Census Bureau, in 2000, more than 11 million people lived with their same or opposite-sex nonspouse partner, up more than 70 percent from 1990.

But amidst the housewarming parties and picking out the paint, these couples must consider some very important issues that are particular to cohabiters. Many people, like Ruhlman and his girlfriend, are failing to pass the test of commingling finances. "Money is a very emotional issue," says Cary Carbonaro, president of Family Financial in Clermont, Fla. "You have to find a way to blend your personal lives and your financial lives." While it's not an easy task, careful planning can help smooth the tensions than can (and probably will) arise.

Couples should start by coming clean about their debts and spending habits. This means talking about everything, the good, the bad and the ugly, before moving in together. "Wherever [your financial goals and practices] don't meet, you can work on it—but full disclosure is important," says Sharon Rich, a financial planner from Belmont, Mass.

Another matter to consider before making the big move is the creation of a domestic partnership contract, or "cohabitation agreement." This document gives unmarried partners some of the same protections that the state gives married couples. "Talk about it, draft it, sign it and have it notarized," says Alice Bryan of North Star Financial Consulting of Indianapolis. (You can find a sample agreement at the [Human Rights Campaign](#)). Bryan says that this agreement should include breakup responsibilities. "It may sound a bit crass, but it doesn't hurt to have an exit strategy in case things don't work out," she says. Many couples refuse to admit that they could ever break up for fear that this will somehow influence the outcome of the relationship. But ex-couples were probably happy couples once too. Admitting that happily ever after *could* have an end

date is a responsible way of ensuring that both partners are protected in any event.

Buying items for the residence can be tricky. Couples should seriously consider the pros and cons of establishing joint credit cards and opening joint accounts, especially savings accounts. In her book "Money Without Matrimony: The Unmarried Couple's Guide to Financial Security" (Dearborn), Sheryl Garrett advises against establishing joint credit and says that one advantage to "being an unmarried couple is that you don't have to intertwine credit ratings, credit cards or most types of credit." Many couples do establish a joint checking account for setting up the household and paying for daily living expenses, but the day-to-day ease of being able to spend from one account comes at the risk of having to separate and fairly divide the money if you break up. Couples often set the amount each person regularly puts into the account based on the partners' respective incomes.

Taxes are another area where cohabitating couples can find ways to maximize the advantages of living together. "Look into shifting taxes under the person for whom it's most beneficial," says Bryan. Unmarried couples must file separately, but you can maximize your deductions by making sure that the partner who earns a higher wage pays for the tax-deductible items and makes any charitable contributions, while the other partner claims the standard deduction, says Garrett. Couples should also seek advice from tax advisors who have experience working with cohabitating couples.

In the event of a death or disability, the law does not provide for boyfriends and girlfriends as it does for husbands and wives. Hence, cohabitating couples must do some estate planning to ensure that their wishes are carried out. In the best-case scenario, a newly moved-in together couple would find a lawyer that specializes in estate planning, but there are also do-it-yourself software kits for simple wills. Either way, if you want to be sure that your partner gets grandma's diamond, or your car, spell out your wishes for your personal belongings to avoid potential disputes. Find a life insurance company that will accept your partner as a beneficiary, says Garrett. More and more employers are beginning to offer health-insurance benefits to unmarried domestic partners, but couples should be sure to discuss the details of their situation with their provider and get as much of their coverage in writing as possible.

Ruhlman is now a senior at Michigan State and has since moved into his own place in Okemos, Mich. He says he would think twice before moving in with someone without adequate financial planning. "It was a nightmare," he says. "No matter how stable you think it is, too many things can go wrong."

While the end of any domestic relationship is fraught with complications, cohabiters need to take extra care to ensure that unforeseen financial woes don't accompany the heartbreak. "There are a lot of assumptions that people who are married can make that people who aren't cannot," says Bryan. "Couples need to put legal structures [in place] to protect themselves."

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