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RETIRING

Remarrying in Retirement? It Can Make Money Management Tricky

People over 65 who remarry after a death or divorce can face thorny financial questions — especially when it comes to adult children and inheritances.

By Martha C. White

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Marriage inevitably involves financial compromises both small and large. Joint or individual checking accounts? How much is too much to spend on a car? Name-brand or store-brand groceries?

When a couple remarries late in life, the stakes get higher. How should the expenses for those bucket-list retirement trips be divided? Whose name goes on the deed to the new condo? Who inherits the house or stock portfolio: the surviving spouse or that person's children from a prior marriage?

Many newlywed retirees find that the answers to these questions evolve. For a retired director of a nonprofit and a retired I.T. professional in upstate New York, that meant revisiting their expectations of who would pay for what.

"We just kind of talked about what we were both bringing to the marriage financially," said Elaina Clapper, a retired director for an agency supporting domestic violence victims. Ms. Clapper, 76, said she had been divorced for roughly 40 years before marrying David Clapper in 2018.

"For a while, David was paying me a certain amount of money each month" toward household expenses, Ms. Clapper said. But in time, the couple, who live in Watertown, N.Y., decided it would be easier for each partner to be responsible for certain monthly expenses.

"There are certain bills she pays. There are certain bills that I pay," said Mr. Clapper, 67. "We adjust it in a way that we both feel is equitable."

As life spans increase and the stigma around divorce fades, Americans 65 and older are bucking a trend by getting remarried at an increasing frequency, according to research from the National Center for Family and Marriage Research at Bowling Green State University. The rate of people in that age group remarrying after a death or divorce edged higher from 1990 to 2022, rising to 5.1 from 4.6 people per thousand. That's a marked contrast to the overall population, where the rate of remarriage plunged by roughly half.

It's a trend that forces couples to consider potentially complicated scenarios regarding how, or if, to merge their finances.

"The later in life you come to a relationship, depending on the complexity of your prior life, the more complicated merging tends to be," said Jean Chatzky, founder of HerMoney, a multimedia platform for women's financial empowerment.

Separate or together?

Older couples are more likely to have retirement accounts, real estate and other assets that could be tricky to mingle and even more difficult to unmingle in the future. One or both partners might have children from a previous relationship, complicating questions of who inherits what.

The easiest strategy to prevent unintended entanglement is surprisingly hard to practice, according to one expert. Lee Meadowcroft of Skinner Law in Portland, Ore., said he advised clients in this situation to keep things like bank accounts separate, particularly if they want to preserve their assets for their own heirs, adult children in particular.

"Keeping everything very separate seems to work the best, but it's a rare couple who can actually do that for a long time," he said. "Although there are ways of protecting finances and keeping things very clear, practically, those things usually fall apart."

Minor discrepancies in money management are fairly common among people who remarry in their later years, said Scott Rick, an associate professor of marketing at the University of Michigan who studies how romantic partners navigate these differences. "I think you have to be more understanding that their spending habits might seem weird to you, and they might have hobbies or quirks they might have developed over the decades before they met you," Dr. Rick said.

"You tend to get people set in their ways quite a bit more," said Shaun Williams, a partner at Paragon Capital Management in Denver. "There has to be a long leash of understanding that they've been doing it this way for 40-plus years. You're not going to change them," he said.

"There are certain bills she pays," Mr. Clapper said. "There are certain bills that I pay. We adjust it in a way that we both feel is equitable." Benjamin Cleeton for The New York Times

While a less-formal approach works for many couples, it can have potentially serious consequences for widows, one retirement expert warns.

Cindy Hounsell, president of the nonprofit Women's Institute for a Secure Retirement, said that women often come into second marriages with less accumulated wealth than their male partners do. This is especially the case for older women whose generations were limited in terms of career advancement and earnings opportunity, she said.

Ms. Hounsell said a scenario she encountered frequently was that, although these women contribute — sometimes significantly — to housing expenses after a second marriage, widowhood can be financially perilous for those who have no legal claim to a home inherited by her stepchildren. For example, some spouses contributed to a purchase but their name may not be on the deed.

“The thing we often hear in our workshops is, ‘My mother put down part of the down payment but can’t afford to live there,’” she said. “The situation is their mother won’t have a place to live.” And if heirs sell the home, that spouse has no legal claim to the proceeds.

Prenups, trusts — and trust

Outcomes like the ones Ms. Hounsell warns about are one reason estate-planning pros are big proponents of tools like prenuptial agreements, life insurance and trusts. “Having a prenup is important because it forces a conversation of what happens if this marriage ends because of death, and who gets what,” said Ginger Skinner, founder of an estate law practice in Portland, Ore., and a colleague of Mr. Meadowcroft’s.

A discussion about a prenuptial agreement, while perhaps uncomfortable, can bring to light assumptions or unspoken differences between spouses, said Ms. Skinner. For instance, if both partners have children from previous relationships, they might have different ideas about who is entitled to what after each of them dies. “Parents can have split loyalties in between a new spouse and their kids,” she said.

Life insurance is one instrument people use to allocate assets intended to be inherited by spouses or children from previous relationships, while significant wealth disparities can prompt couples to contribute proportionately toward household costs based on their means rather than splitting expenses down the middle.

The calculations can get complex. Mr. Williams of Paragon Capital Management said he had one client, significantly wealthier than her second husband, for whom he developed a formula to calculate his ownership share of her house. If he outlives her, and the house is sold, he will receive proceeds from the sale based on his financial contributions to maintenance and upkeep over the years, Mr. Williams said.

For people with significant assets, trusts can protect a financial legacy if the new spouse has large health care costs not covered by Medicare, such as residence in a nursing home or memory-care facility.

Ms. Clapper said she had her will revised shortly after her marriage for this reason. She said she wanted to make sure that his contributions to their joint household expenses would be recognized if she dies first. “Everything pretty much goes to my sons and grandsons, but there’s also a clause in it that provides something for David,” she said.

Mr. Clapper said he hadn’t expected to be included as a beneficiary in his wife’s will, but he was grateful. “I appreciated that she wanted to include me in the mix,” he said.

Planners say that while these kinds of legal structures may seem cold or transactional, they create a financial cushion that can protect the surviving spouse if he or she has to vacate their home when the decedent’s heirs sell it. Even so, estate and retirement planning pros say friction can arise when real estate is involved.

“Homes, residences are difficult. Conceptually, they’re easy,” said Michael Fiffik, managing partner at Fiffik Law Group in Pittsburgh. But the emotional attachment people feel toward home — especially longtime family homes — can make estate planning fraught.

Mr. Meadowcroft said conflicts can arise when a homeowner gives their spouse the legal right to live in a home they owned until after the spouse’s death. “When there’s a house involved and the new spouse is living in the house, the kids are sometimes just waiting for the other one to die.”

Should you remarry?

Some older couples who run the numbers might find that the best financial decision is not getting married at all, Mr. Meadowcroft said. “It can get so messy, and it can cause so many problems,” he said.

For instance, marriage triggers inheritance rules around certain retirement assets. If one spouse has such an account, Mr. Fiffik said, he or she may be required to name the other as a beneficiary. And if a person with one of these accounts wanted to bequeath that asset to someone else, such as a child, for instance, he or she would have to get their new spouse to legally cede their right to it. “Retirement accounts are something that always require extra attention,” he said.

For some widows and widowers, remarriage may mean forfeiting certain pension or Social Security benefits. “If someone is getting a pension, they may not want to remarry, because that could go away,” Mr. Williams said.

Mr. Meadowcroft recalled one client couple, both in their 80s, who chose to remarry. They decided to have a religious ceremony, but kept their respective estates separate by never getting a marriage license.

“They said, in the eyes of God, they’re married,” Mr. Meadowcroft said. “The state’s purpose for marriage doesn’t have anything to do with that. It’s simply who gets your stuff when you die.”

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