

How to create a safety net for you and your loved ones

Financial tips for lesbian, gay, bisexual and transgender
(LGBT) couples and their families

The recent U.S. Supreme Court rulings on the Defense of Marriage Act (DOMA) open the door to many exciting changes for LGBT families. Legally married same-sex couples living in states with legalized same-sex marriage are now eligible for the same federal benefits and protections as opposite-sex couples, including:

- Social Security survivor's and spousal benefits
- Certain veterans benefits, such as pensions and survivor's benefits
- Lifetime gift tax-free property transfers to spouses
- Estate tax relief for surviving spouses
- Military spousal benefits
- Family medical leave rights
- Spousal IRA contributions
- Spousal visas for foreign national spouses
- Joint filing of federal income taxes
- Private pension benefit options (e.g., survivor annuities)
- Employer health care as a pretax benefit
- COBRA

New access to these benefits, however, doesn't necessarily make financial planning less complicated for LGBT families. In the short term, federal government agencies will need to review and modify their rules and regulations, and employers will need to review and revise their policies, benefits and paperwork.

In the meantime, here are steps you can take to help safeguard yourself and your loved ones:

First, know your state's laws

While the ruling will bring sweeping changes at the national level, you should know that states still retain the authority to define marriage. Whichever stance your state holds will continue to affect you and your family.

States, for example, do not have to recognize same-sex marriages as legal if they were performed in other states. This can be problematic, especially since the federal government typically defers to states in determining whether a couple's marriage is valid.

To find the latest guidelines for your state, go to the Lambda Legal website at lambdalegal.org.

Next, get professional advice

Seek help from a financial advisor and other professionals, such as an estate planning attorney, a family law attorney and a Certified Public Accountant (CPA), who specialize in the needs of LGBT couples and families. These professionals have the experience and skills to help you protect your rights and plan for your future.

Then build a plan that aligns with your state's laws

With guidance from your financial advisor, you can build and manage a plan that will help protect your family's financial well-being.

Following are three key steps you should take:

1. Protect your property and each other

Some of the biggest concerns for same-sex couples involve estate planning and end-of-life issues. It's important to work with an estate-planning expert to help ensure:

- Your beneficiary information is up to date so your insurance proceeds, bank accounts and retirement accounts can go to your surviving partner.
- Other property is properly set up to pass through a trust or be held in joint tenancy with rights of survivorship.
- Your will is properly constructed to avoid any estate planning disputes.
- Durable powers of attorney are established so your partner can make legal and financial decisions for you in case you can't.
- Health care directives are set up, which will allow your partner to make health care decisions for you if you become incapacitated.
- If you are not federally recognized as married, consider establishing a domestic partnership agreement. This is a written contract between you and your partner that supports your ownership rights and clarifies your intentions for property distribution if you or your partner dies or your relationship ends.

In addition, if children are involved, make sure you seek the counsel of a family law specialist to set up separate parental rights documentation, such as a shared-custody or guardianship agreement.

2. Get insurance

Insurance proceeds can provide cash to cover estate taxes and probate costs, as well as additional income after a partner's death. To avoid including the life insurance proceeds in the decedent's taxable estate, the insurance can be owned on each other or owned in an irrevocable life insurance trust (ILIT).

You should also check health insurance rates to see if a combined plan outweighs the benefits of each of you carrying a separate policy. Be sure to consider tax costs. While many employers offer health coverage for domestic partners, that coverage is generally treated as taxable income on a federal and sometimes state level unless your partner is classified as your dependent.

3. Boost your retirement savings

Try to put as much into your retirement savings accounts as you can. Consider tax diversifying your retirement savings through multiple types of accounts so you can enjoy the tax benefits later in life. For example, if your workplace 401(k) plan offers a designated Roth account option, consider taking advantage of this feature. If not, consider opening a Roth IRA, which offers tax-free income in retirement, as well as a broader range of investment choices.

For more information, talk to your Ameriprise financial advisor

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