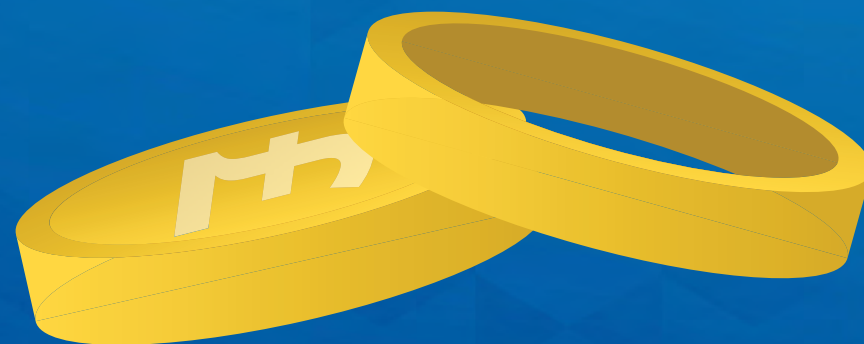


HOW TO MARRY (YOUR FINANCES) WELL

JUNE 2025



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We hear congratulations are in order! The question has been popped and the plans are getting under way. But have you got to grips with what getting married* means for your finances? Getting the money sorted out is going to be less exciting than arranging engagement parties, but it is so much more important for your future married happiness.

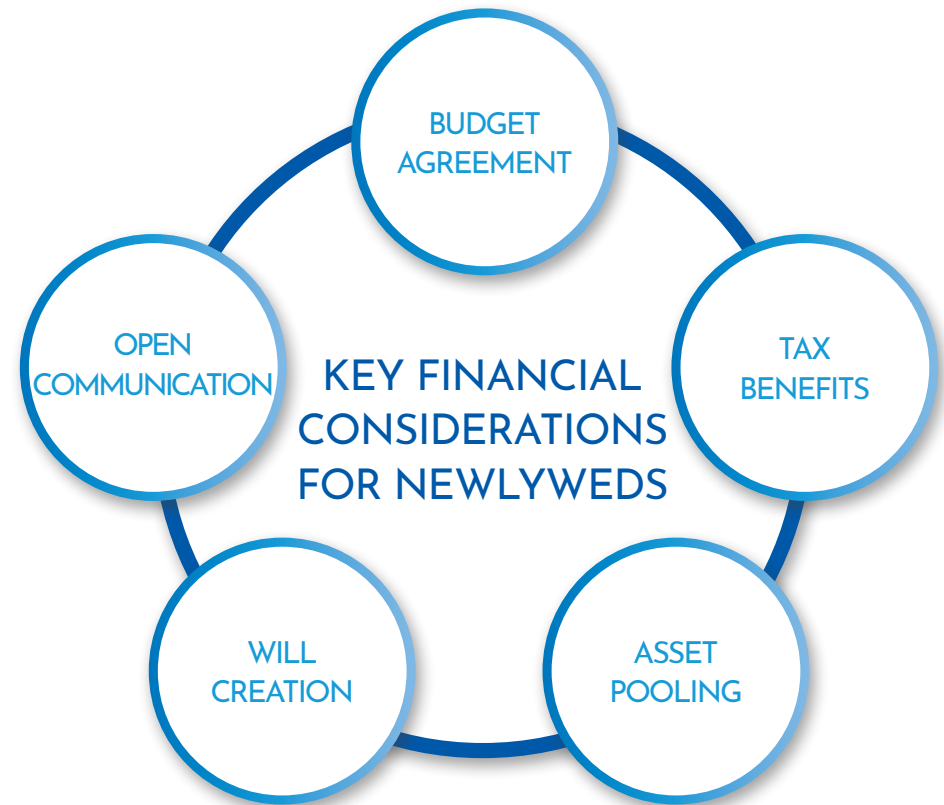
How will you arrange your finances as a combined household? You need to agree on budgets for joint and individual expenditure. Don't forget that the future will bring change, so how will you fairly accommodate changing individual income levels? Differing individual attitudes to money management can lead to very real tension in a relationship, and so it is better to talk this through early on, rather than hoping it won't be a problem.

There are great tax benefits available for married couples, so how will your finances be structured to make the most of these?

You should also be aware of the potential consequences of pooling your assets. Have you considered if a pre-nuptial agreement would be suitable, to ensure both of you are financially secure whatever the future may hold?

Open and honest communication is the firm base upon which you can agree and set expectations for a successful financial partnership for life. Read on and make sure you've covered all the bases when deciding how to negotiate your new set-up.

*all references to marriage also include civil partnerships



MARRIED FINANCES: TRANSPARENCY AND CONTROL

Once you have decided to tie the knot, you first need to agree on how to structure your joint household income and expenditure. Discussing money can be emotionally challenging, but if you don't address this upfront then misunderstandings can lead to future relationship tension.

There is no single way of running household finances. Couples can quite successfully combine everything, or nothing. The key to success is that arrangements are mutually agreed, and made with openness and trust.

At one extreme, you can have a single joint account between you: complete transparency but little individual control.

This requires a high level of trust over how much each of you will spend versus save, and agreement on your financial goals. One of you saving for a holiday, whilst the other blows the budget on a new gadget, is a surefire route to marital disharmony. Having separate savings pots which are 'paid first' out of the monthly budget can work well to ringfence funds for future agreed goals.

At the other extreme, you can maintain completely separate accounts: individual control but no transparency.

This requires agreement over how joint costs and goals are covered. For example, you may each take responsibility for a particular type of cost, or you could split all costs in agreed proportions. Openness and trust are still needed, to make sure that each of you feels the arrangement is fair. This arrangement may be best where one of you already has large debts, or you both have extremely different spending habits.

Somewhere in between is perhaps most common.

For example, you could both pay into a joint account, but reserve an agreed amount in your own sole account. The joint account can cover all the shared costs and savings goals (going onwards to separate savings pots as required), and the sole accounts allow for individual discretionary expenditure. This arrangement gives a balance between individual autonomy, and transparency and simplicity for joint costs.

It is crucial that you decide how arrangements will be reviewed in the future, as your individual earning levels and saving goals will inevitably change over time.

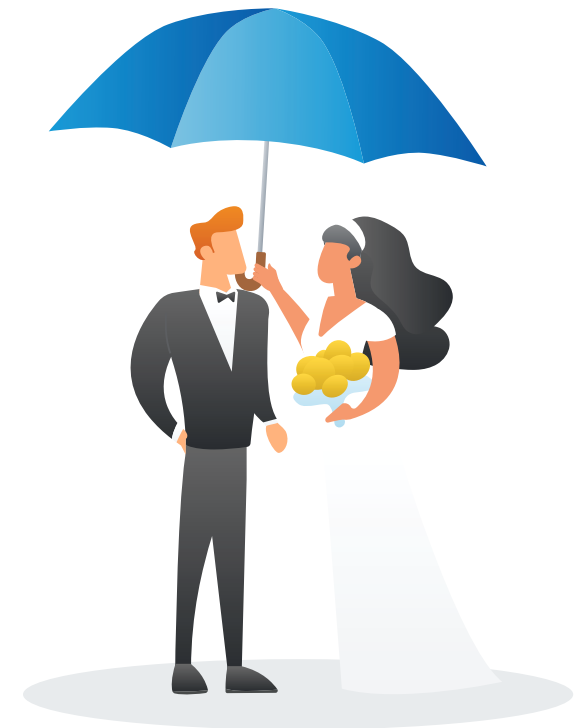
MAKE A WILL

Making a Will on marriage may not be the first thing on your mind, but it should certainly be one of the first things on your to-do list. **Getting married automatically revokes any Will you have already made (under the law in England, Wales and NI; Scotland differs).**

If you don't have a valid Will, then the strict **laws of intestacy** apply. This might not be what you would have otherwise chosen. **It is a common misconception that in the event of your death everything will pass automatically to your spouse, or civil partner.** This is not necessarily the case, and our Planning Research Note on Wills and Lasting Powers of Attorney gives more details.

And whilst you're at it, making **Lasting Powers of Attorney** is often overlooked and should be set up at the same time. These allow you to nominate who will be able to make decisions (financial and/or medical) on your behalf should you be temporarily, or permanently unable to. If these are not in place then the process of applying to Court for decisions to be made can be very lengthy, costly, and potentially restrictive.

Wills & Lasting Power of Attorney
Planning Research Note



TAKE ADVANTAGE OF THE TAX BREAKS

Our tax system treats married finances advantageously. Ordinarily, each individual is taxed as, well, an individual. But the system also recognises marriage as a 'social good', and the pooling of household finances is rewarded with several benefits.

To take full advantage of these tax benefits needs a significant level of trust and transparency. **You must be able to freely gift assets between yourselves to achieve an optimal reduction in the household tax burden.**

Note that you should take care where transferring mortgaged property (there may be stamp duty implications), or where the transfer might affect the intended operation of a Will.

1 MARRIAGE ALLOWANCE

You also need to make sure HMRC knows of your changed status. You can find details on the gov.uk site [here](#).

You could save £252 each year, if one has a low income and the other is a basic rate taxpayer.

If you do not pay income tax (or earn less than your Personal Allowance, usually £12,570) and your spouse is a basic rate taxpayer, you can effectively transfer £1,260 of your Personal Allowance across to them.

This reduces your available Personal Allowance by 10% and is credited to your spouse as a reduction in income tax of £252 (basic rate tax rate at 20% x 10% x Personal Allowance of £12,570). See our Planning Research Note on UK Tax Rules or a full explanation of the income tax bands.

You can also backdate your claim for up to 4 previous tax years. This assumes eligibility for each relevant year. If you make an election, be aware that it will continue for future years until you notify HMRC otherwise.

The application is very simple, see the gov.uk site [here](#).

Note that if either of you were born before 6 April 1935, the Married Couples Allowance might be more beneficial.

UK Tax Rules Planning
Research Note

2 INCOME TAX AND CAPITAL GAINS TAX PLANNING

Transfers of savings and investments between spouses can be made tax-free. This helps ensure you are making use of the tax allowances and bands available to you both.

ISAS AND PENSIONS

You should aim to use both your ISA and pension allowances, where your budget allows. This is especially effective where higher pension savings means that both of you can more fully use the lower tax bands in retirement as well.

INCOME TAX

Assets can be transferred to maximise the use of income tax allowances (personal allowances, savings allowances, dividend allowances), and to fill up lower rate tax bands where you are in different tax brackets.

CAPITAL GAINS TAX (CGT)

You can also transfer assets before sale for maximum CGT efficiency. You can make full use of both of your CGT annual exemptions (currently £3,000 per annum), and also make sure that gains arise on the spouse with the lowest tax band (or to enable efficient use of brought forward capital losses). An inter-spouse transfer is treated for CGT as 'nil-gain, nil-loss'. This means that the original base cost of the transferred asset remains the same on transfer.

Of course, deciding how much to save, into what tax wrapper and investment, and under whose name, can be time consuming and complex. Taking expert financial advice here often means the tax savings far outweigh any cost of advice, in addition to saving your time and giving peace of mind that your finances are working efficiently for you.



3 INHERITANCE TAX (IHT) ADVANTAGES

Residence Nil Rate Band
Planning Research Note

Inheritance Tax
Planning Research Note

The spouse exemption means that you can gift each other an unlimited amount, in life or on death, without an IHT charge. See our Research Planning Note on IHT for details of how this tax works.

The IHT Nil Rate Bands are also transferrable between spouses, assuming both are long-term UK resident.

Potentially available are two Nil Rate Bands of £325,000 each, and two Residence Nil Rate Bands of £175,000 each. Assuming these are not used on first death, the estate of the second spouse could benefit from £1 million able to be passed to beneficiaries tax-free.

The operation of the Residence Nil Rate Band is relatively complex and will not always be available. It is covered in detail in our Research Planning Note.

4 INHERITABLE ISA ALLOWANCE

Spouses are allowed to inherit the other's ISA wrapper on death.

Any ISA savings can therefore continue to grow in a tax-free environment until the second spouse dies. This can be an enormous benefit, especially where the tax-free income is an important part of your retirement income strategy.

The operation of the transfer is slightly complex - you don't directly inherit the ISA holdings. The total value of your spouse's ISA holdings is added to your own ISA allowance (an Additional Permitted Subscription, to be used within a certain timeframe), and you can then invest up to this amount yourself (for example, by using the funds which you have inherited).

5 PENSION & WORKPLACE DEATH BENEFITS

You should review all of the protection now available to you as a married couple, to ensure that you are both covered in the event of illness, or death of the other.

Once married, you may find that you are now eligible for your spouse's workplace death-in-service benefits, or company pension scheme death benefits. Trustees of other personal pension schemes will also take your needs into consideration when deciding how to pay pension death benefits, and there may be more options over the structure of payment available.

State pension benefits are not normally inheritable for those who reach retirement age under the new State Pension (from April 2016) but may be available where one spouse retired before then.

BE AWARE OF THE POTENTIAL PITFALLS

1 STATE BENEFITS AND TAX CREDITS

The total income and assets of a co-habiting or married couple are taken into account for a number of state benefits. This might be an important consideration for you before deciding to move in together or get married.

For example, as a married couple, the income of the higher earner is applied when calculating if Child Benefit is lost. A taper applies from £60,000 of income, and the Benefit is fully lost by £80,000. This can mean an extremely high rate of tax effectively applies in this band. Pension contributions are one way to reduce the level of income tested here.

2 JOINT DEBTS AND CREDIT RECORDS

The act of getting married does not in itself make you liable for your partner's debts, or mean that you are 'financially associated' for credit record searches.

However, you will be jointly liable for any debts you take out together. If your partner cannot pay their share, you will have to. Equally, any assets you jointly hold can be used to cover these liabilities.

Taking out any joint financial product (a joint current account, mortgage or credit card) will also associate your credit record with your partner's.

A change of surname may also cause some temporary problems with credit applications, so add both maiden and married surnames to any credit applications so your full credit history can be found.

3 POOLING YOUR ASSETS: DO YOU NEED A PRE-NUP?

The potential downside of being treated as a single unit for tax purposes is that your assets are also potentially treated as shared. So how are these divided if things don't work out?

On divorce, the asset split is decided by the courts, who have considerable discretion in making the award. The courts will use a 50:50 split as a starting point for a long-standing marriage, but then adjust based on need, circumstance and the length of marriage. Where there are dependent children, then their welfare is considered as a priority.

Agreeing, now, how to divide your assets on a potential future divorce might not seem like the most romantic way to begin a marriage! But if you consider it as a way of safeguarding each other's financial future, and so looking after each other, then it starts to seem like a more reasonable conversation to have.

A pre-nuptial agreement could help to save a lot of stress and cost further down the line. The popularity of pre-nups has increased hugely in recent years, and not just for those with significant wealth. For those with assets or children from previous marriages, they can be seen as a way of keeping the extended family secure upon subsequent marriages.

Although not strictly legally binding, pre-nups are now very effective. So long as certain guidelines have been adhered to, the courts are likely to take the pre-nup into account. Allow plenty of time before the wedding to set up the agreement, and for both parties to take legal advice. Post-nups are also a possibility if you just haven't got time to sort it out before the big day.

BENEFITS OF A PRE-NUP

- Reduces future stress and costs
- Protects existing assets
- Safeguards children from previous marriages
- Increasingly popular option





Important information: Our views are based upon our understanding of current legislation in England, unless stated otherwise. Levels and bases of, and reliefs from, taxation are subject to change and their value to you will depend upon your personal circumstances.

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