

When Your Plan for ‘I Do’s’ Suddenly Becomes the Reality of ‘I Don’t.’

By Robert M. Horne

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Typically, two types of couples live together without getting married: those who are “testing the water” and those who are marriage-shy.

Those “testing the water” treat their co-habitation as a “dry run” for the rest of their lives. The marriage-shy crowd comprises mostly youngsters and recently-divorced older individuals who want to avoid the perceived “financial entanglements” associated with marriage.

Whether it’s because “we don’t want to get divorced” or “we can’t currently afford a wedding/honeymoon,” this approach ignores the fact that a significant portion of the financial entanglements associated with marriage arises from just living together.

Indeed, if you live together, chances are that you already are financially entangled with your significant other. You may have a number of shared accounts and expenses, such as the utilities bill, homeowners/renters insurance, cable bill, data plan/mobile phone bill, grocery bill or iTunes account. And then there’s the single-largest shared expense: the rent or mortgage.

Along with these recurring expenses, you probably have shared stuff (e.g., furniture, televisions, computers, bedroom sets, appliances, cookware and/or glassware).

Each individual likely brought items into the relationship and, as a couple, you will continue to acquire items during the course of the relationship. You also may buy each other gifts in celebration of anniversaries, birthdays and other milestones. You may even give an “engagement ring” during the course of cohabitation. These tend to be expensive and often are requested back if a wedding doesn’t occur.

What happens if the couple splits up? There are a few general options.

- Work it out like adults.

You take your stuff. Your significant other takes her/his stuff. And you split the stuff acquired during the relationship equally. However, this requires you both to be rational.

More often than not, people going through a breakup do not act rationally. “Old loans” may become an issue. The “no rent” living arrangement may suddenly include an infidelity balloon payment. The collective stuff (or even worse, your stuff) may be tainted, and although you may not want such stuff, you may want compensation for giving it up. Although most break-ups are amicable, this option rarely works to the satisfaction of either party.

- Give your significant other everything.

Walk away and find your own place. Hopefully you're not on the lease, deed or mortgage. It can be expensive to completely furnish a new living quarters (forget about repopulating your iTunes downloads anytime soon). So long as your name isn't on any of the recurring expenses, this option at least allows you to cut your losses.

If you're on the lease or you're the sole owner of the property, consider offering to pay for movers for your soon-to-be-ex-significant other.

- Plan now.

Formalize the ownership of your stuff now, while you get along, through a properly drafted "Living Together Agreement" (also known as a "Co-Habitation Agreement"). While this won't take the pain out of a failed relationship, it should help you work through the stress caused by the break-up.

A properly drafted agreement should be prepared by an attorney who will help you identify issues, provide potential solutions and draft language that should be legally enforceable. If you draft an agreement yourself, you'll likely get what you pay for.

The Issues

A Living Together Agreement typically will address issues such as the following.

1. Items you each bring into the relationship. You keep your foosball table;

s/he keeps her/his TV. Wouldn't it be nice to know that you can keep your grandmother's silver, have a mattress to sleep on and a computer to use to find and furnish your next apartment?

Consider any items abandoned in furtherance of the co-habitation, such as whose microwave was left behind in the move.

2. Items jointly acquired during your relationship. Not everyone has room for a sectional couch. Artwork doesn't divide easily. You're going to buy stuff together; how do you want to divide it if you break up?

3. Expenses incurred during the relationship. Dinner dates aren't reimbursable, but if one party pays a disproportionate share of the living (or capital) expenses, an equalization in the event of a break-up within a certain number of years may be appropriate.

4. Gifts given during the relationship. Birthday presents are easy to address without an agreement; an engagement ring is not.

5. Repayment of down payments or debts paid off. You can make a down payment on a home or pay your significant other's debts off without making an irrevocable gift.

6. The shared residence. Who continues to live there? If it's jointly owned, will it be sold, and to whom, how and for how much? If it's a lease, who gets to stay in the property for its duration and who is responsible for future lease payments?

Preparing a Living Together Agreement while you are on speaking terms and able to dispassionately decide on an objectively "fair" outcome will help guide you through the potentially devastating (both financially and emotionally) maze of "I Don't."

Robert M Horne, Esq., is an associate with the Baltimore- and Howard County-based law firm of Adelberg, Rudow, Dorf & Hendler LLC (www.AdelbergRudow.com). He can be reached at 410-539-5195.