

Personal Finance Advice & Comment

You're wealthy – should you marry in secret?

Marriage entitles you to substantial tax benefits, but some couples would rather keep quiet about tying the knot

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It used to be that couples were embarrassed to live together unmarried. Today a growing number of couples harbour a deeper secret: they have furtively married without telling anyone.

Around 3.4m unmarried couples live together in the UK – accounting for one in five couples sharing a home. There are many reasons why couples do not get legally hitched. For some, it is because they do not agree with the religious overtones in the ceremony (even though only one in four of the 250,000 marriages each year happens in a church). Perhaps we will see a surge in heterosexual civil partnerships when they finally become available, hopefully this year.

The financial benefits of marriage and civil partnerships are so great that couples who have cohabited for years should really consider tying the knot officially. In recent years I have become a huge advocate of “secret marriages”. If the evidence of our client base is anything to go by, many others are coming around to this way of thinking.

One couple who married in secret had been together for years. They are in their 60s. Though they live in separate houses, they are devoted to each other. They have no children and intend all their money to go to charity. By marrying, they ensure that those charities will receive hundreds of thousands of pounds that would otherwise be swallowed up by inheritance tax.

Another couple also had a

secret marriage in their 60s. They both have substantial final salary pensions. They hadn't wanted to marry because of the stress of the ceremony and the acrimony of having divorced parents in the same room. The husband is unwell. Before the marriage, his partner would have received nothing from his pension in the event of his death. The pension scheme would not have deemed her his widow. Now she will get two-thirds of his pension on his death – around £30,000 a year. Similarly, he would enjoy the benefit of a proportion of her pension if she died first.

I have another client who entered into a civil partnership in a secret ceremony. He knows his family are disappointed not to have grandchildren. He wanted the security and financial benefits of a relationship without the emotional pain of the ceremony.

Obviously, if you do not think the relationship is sustainable then it is foolish to marry. Divorce settlements also favour those who are married or civil partners. But in a lot of cases I think couples start out living together and testing the water. The relationship proves successful but somehow life takes over and they do not have the time or the energy to organise the occasion.

In other cases, adult children will oppose a parent's second marriage because of the possible effect on their future inheritance. If you are marrying in secret, you should certainly see a solicitor to ensure your will is very clear about what

happens on the death of each partner to minimise the acrimony if they only find out about the wedding after one of you has died.

So why should people marry? First, it is important to dispel the myth of the “common-law” marriage. To enjoy the financial benefits you have to be genuinely married or in a civil partnership. Not being married can mean you missing out on widow or widower pension benefits.

Not being married and not having a will can be even worse. I had one client who separated but did not change his will. He lived with a new partner for many years. When he died unexpectedly, all of his assets went to his estranged wife who gleefully took everything (except the dog).

Often the biggest financial benefit of marriage to couples is potential savings in inheritance tax.

Every UK resident has a personal allowance of assets they can pass on tax-free, known as the ‘nil-rate band’. Currently this stands at £325,000. There is also a residence nil-rate band of £150,000 (rising next year to £175,000) that applies to a residence passed on death, within limits, to a lineal descendant. Broadly speaking, anything above these bands is taxed at 40 per cent.

Married couples and those in a civil partnership can pass assets between each other tax free on death. Unmarried couples cannot. By next April, a married couple will be able to pass on £1m tax-free to any

children who might inherit their estate. Those seen by the law as single will have half that allowance. So the potential tax savings are considerable.

Other benefits include the ability to pass on the tax-efficient benefits wrapped within Isa savings on death.

There are also financial benefits while you are still alive. Married couples can pass assets between each other without triggering a charge to capital gains tax (CGT). There is also a marriage allowance, which can help low-income households reduce their income tax bill by as much as £250 a year by allowing the lower earner to transfer £1,250 of their personal allowance to a higher earning husband, wife or civil partner, subject to limits.

Yet it is not all ring the bells and throw the confetti. If you are a widow enjoying a widow's pension, remarrying may bring an end to that pension. One of my clients was married to a GP and would have lost a substantial widow's pension if she were to remarry, so it is important to check out the terms.

In short, talk to your financial adviser to check out your position. If you find yourself substantially better off by marrying but you do not want to go through a big ceremony, do not be afraid to do it in secret. You will be one of many doing the same.

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