



Remarriage: Avoid Repeating the Marital Money Mistakes

Falling in love and getting married is a wonderful experience. When we are young and optimistic about our futures, we are often naïve about what spending the rest of our lives with another person entails. Many couples don't realize the financial challenges they will face. But the second time you decide to tie the knot, you are wiser. And often your financial situation is more complex. You realize that money can be a source of marital conflict and a contributor to divorce. You want to avoid making the same money mistakes from your first marriage. But how do you initiate these conversations, and what topics should you address?

Jon faced this dilemma when he decided to propose to Charlene. The couple met when they were both volunteering for a church organization that builds houses for families in need. Jon, an accomplished surgeon, made over \$1 million a year and recently divorced. Charlene came from a middle-class background and had never been married. Once they got engaged, she sensed that Jon's four adult children were skeptical of their relationship. Because she didn't want to be seen as a gold digger, Charlene avoided talking about money and encouraged Jon to leave all his assets to his children. Jon reluctantly agreed with this plan without fully realizing the impact on her long-term financial well-being.

Lucky for Jon, CAPTRUST Financial Advisor Catherine M. Seeber, CFP®, CeFT®, was his trusted advisor. She helped the couple engage in a series of premarital money conversations and develop a plan for Jon to take care of his children and his new wife upon his death. According to Seeber, "The couple decided that philanthropy was important and that they wanted their resources to go to Jon's children to support their lives now. I helped the couple create a family foundation where the entire family could get involved and use their wealth to support the causes they all believed in." In the end, this shared philanthropic activity strengthened the bonds between Jon, Charlene, and the next

generation.

While your situation may be different than Jon and Charlene's, the need for an open and honest dialogue about money is paramount for setting the stage for a healthy relationship. This will allow you and your partner to be clear about your expectations and help both of you communicate your plans to the next generation.

Share Your Money Mindsets

Every person has automatic thoughts and beliefs about money and wealth—called money mindsets—and these attitudes impact saving, spending, investing, and gifting behaviors. A great way to start a financial dialogue with your partner is to ask about his or her money mindset. Questions to get the conversation rolling include:

- What did your parents teach you about money and wealth?
- How would you describe your money personality?
- When do you think it makes sense to save money versus spend it?

The discussion that ensues will help you uncover each other's mindsets and understand the rationale behind your financial habits.

When discussing money mindsets, it is vital to listen more than you talk. Fight the urge to interject your ideas until your partner is done answering each question. Then, once he or she has had a chance to share, you can share yours.

The goal of this conversation is to identify similarities and differences in your perspectives. When Jon and Charlene shared their money mindsets, they identified the shared value of charitable giving and their differing attitudes toward wealth. They could then use these insights to work with their advisor to develop a financial and estate plan that honored their individual and joint mindsets.

Consider a Prenuptial Agreement

The odds of a couple splitting up are high in the U.S., with 50 percent of first marriages and 67 percent of second marriages ending in divorce. When you remarry, you don't anticipate another breakup, but the statistics are not on your side. Therefore, signing a prenuptial agreement often makes good financial sense.

A prenuptial agreement is a document that summarizes how you will handle your finances during your marriage and in the event of a divorce. (A postnuptial agreement is a very similar document that is signed after a couple gets legally married.) If you have children from a previous marriage or have significant assets or family wealth, prenuptial agreements protect your children and your wealth should your marriage end prior to your death. They are drafted with the guidance of an attorney, often with input from a financial advisor.



Many people buy into the myth that if a couple has a prenuptial agreement, the marriage is destined to fail. The truth is that disclosing your financial history and assets to your future spouse is valuable, and the dialogues that result are worthwhile.

Robert, a business owner and divorcee, found that his relationship with his second wife benefited greatly from this experience. “We had the hard discussions. We didn’t sweep money and finances under the rug. Through the process, we educated each other about how we thought and felt about money, and I feel far better to have had the experience than not,” he says.

Review Your Estate Plan

One of the trickiest issues a couple faces when blending families is estate planning. How will each partner’s assets be transferred to the children from previous marriages? Will it be similar or different than how the wealth is transferred to any offspring from the new marriage? Will the surviving partner from the second marriage inherit the family home, or will other provisions be made to ensure his or her financial stability?

These are not easy questions, but they are important issues for couples to discuss and think through carefully. Since state and tax laws vary, it is important to consult with an estate attorney and a financial advisor to run different scenarios so you can make the best decision for your family.

CAPTRUST Financial Advisor Mike Molewski, CFP®, ChFC®, works with couples in collaboration with an estate attorney to determine the best vehicles to use to accomplish a couple’s goals. It may involve setting up a trust, retitling assets, or using insurance proceeds to pass on wealth. His recommendation is to “focus the estate planning discussion on the transfer of assets, and avoid making it personal.”

When Warren and Betsy planned to marry, they both had children from a previous marriage. Warren wanted to make sure Betsy was taken care of in the event of his death but didn’t want to rewrite his trust. The solution was to take out a life insurance policy with Betsy as the sole beneficiary. This created a future income stream for his new spouse and allowed his adult children to keep their inheritances intact.

Decide How to Manage Your Money

It is important to take time to talk with your future partner about the when, where, how, and why of your financial life together. For example, if you have children from a previous marriage, how does your new spouse feel about paying for expenses related to their care? If you own several real estate properties, will you jointly cover the property taxes, or will you pay this expense individually?



There are no right or wrong ways to manage money in your marriage—only the method that works for both of you. The key to success is being proactive and thinking through how to cover day-to-day expenses before they become a source of conflict.

When Justine married her second husband, Sean, she owned several rental properties and a primary residence. While Sean was willing to split the household expenses for the home they would share together, he was reluctant to take on the burden associated with her rental properties. After discussing the matter, the couple agreed that Justine would retain sole ownership of her rental properties and realize the income and incur the expenses associated with this real estate. They signed a prenuptial agreement that clearly spelled out this arrangement and how the assets would remain in Justine's possession should their marriage end in a divorce.

Review Your Plan Annually

The decisions you make initially may change over time. You may be still hurting from the breakup of your first marriage or uncertain how your new blended family will gel. As CAPTRUST Financial Advisor Donn A. Johnston Jr., CFP®, said, "What is right at the beginning of the partnership isn't necessarily right five years after the marriage." Therefore, making a pact with your second spouse to review your initial financial and estate planning decisions annually, or at least every few years, makes sense.

Getting married again is a leap of faith that involves many decisions, especially if you and your second spouse are blending two homes into one. It is important to acknowledge the complicated family dynamics, thoughtfully discuss money matters, and realize that everyone is going through a transition. Be wise and consult with your financial advisor, estate attorney, and the members of your family. Taking action today will help you live happily ever after tomorrow.

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