



# Planning for Unmarried Individuals



According to the United States Census Bureau, **49% of the U.S. population was unmarried** in 2022.

This statistic represents a growing group of the population and includes people who:

- Have never married
- Are partnered but unmarried
- Are divorced
- Are widowed

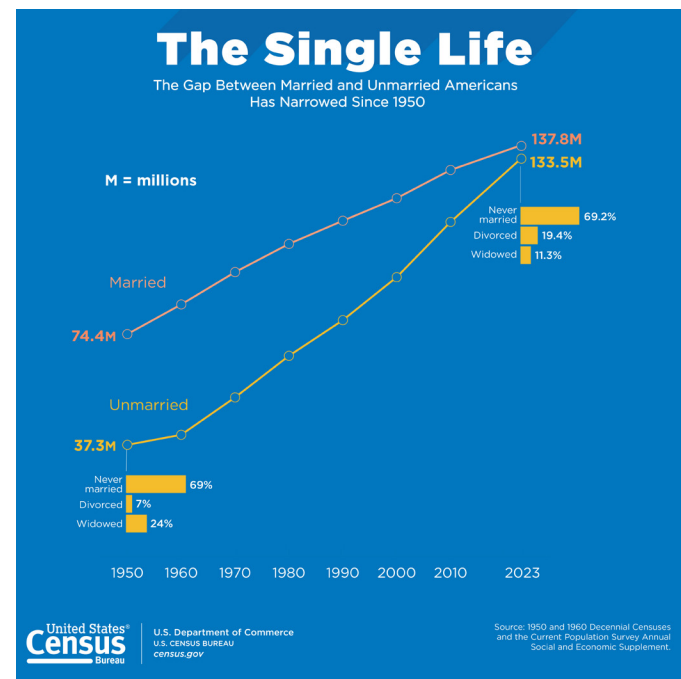
While estate and business planning considerations for this unmarried individuals are similar to those of their married counterparts, the differences merit discussion. Awareness of the particular nuances and concerns that are specific to unmarried individuals can simplify the planning process and ultimately lead to a successful outcome.

## Considerations

Let's look at **six considerations** for planning.

### Gift and Estate Tax Exemptions

Married couples benefit from each having gift and estate tax exemptions. Whether the exemptions are used during the clients' lifetime, at the time of their death, or by making annual exclusion gifts, the amount they can transfer tax-free is doubled. Unmarried individuals can still use their exemption and exclusions to pass assets and reduce their taxable estate, but they are limited to their exemptions only. If they are looking to maximize their legacy, though, they can often leverage those gifts using life insurance.



## Estate Planning

Unmarried individuals often have children and partners whom they support. While children may be included under state intestacy statutes, unmarried partners are not. So it can be vitally important for unmarried partners to create estate plans that protect each other and/or any children. To accomplish this, they need the basics: a will or living trust with a pour-over will. They also need to consider the impact of taxes since they cannot qualify for the unlimited marital deduction. Life insurance can offer a great solution to provide support to loved ones and compensate for assets lost to taxes and other transfer costs.



## Asset Protection

Unmarried individuals often look for ways to protect the assets they have accumulated, whether the threat is a lawsuit, unpaid accounts, or a future spouse. While several asset protection structures can help, life insurance may receive protection under the laws of the particular state, depending on the circumstances.

By using trusts known as domestic asset protection trusts (DAPTs), clients can also often protect significant amounts of assets from creditors while still continuing to benefit from those assets. DAPTs are not currently recognized in all states, so anyone interested in discussing a DAPT should consult local counsel to see if DAPTs are recognized under a particular state's laws.

## Extended Care Planning

Unmarried individuals often wonder who will take care of them or their assets if they have a serious healthcare event. Creating a plan that will allow someone else to assist with healthcare and financial decisions can be especially important in the absence of a spouse. Implementing documents such as a durable power of attorney, healthcare power of attorney, and living will allows for the designation of someone to fill these roles.

Also, making sure there is sufficient liquidity to care for the person during a healthcare event can preserve existing assets and provide for the necessary levels of care. One simple way to make sure long term healthcare costs are covered is by adding a long term care or critical care rider\* to a life insurance policy.

## Business Planning

Unmarried business owners face unique challenges in structuring the business to run in their absence. Helping to create a plan to make sure the business transitions to new owners at some point in the future provides for a seamless transition once the owner is no longer associated with the business. Making sure the correct party is in agreement with taking over, whether that party is another family member or a key person, provides the comfort of knowing the business will continue virtually uninterrupted.

**Life insurance can help** with liquidity to both purchase the owner's interests and continue operations while the transition is sorted out.



## Retirement Planning

Saving for retirement can be especially important for unmarried individuals. From saving more to maximizing their social security benefits, many unmarried individuals are planning to fund their retirement on their own. Life insurance can provide an attractive tax-free alternative income stream for those who have maxed out any qualified options but are still looking for other sources of income in retirement.



### Let's look at a case study

#### Anita, age 58, unmarried

- Has three nieces to whom she plans to leave her estate at her death
- Concerned about estate taxes due to the size of her estate and also wants to make sure she has sufficient liquidity to in the event of future illness so she won't feel like a burden to her nieces

### Solution

Anita's attorney recommends she set up a life insurance trust with her nieces as beneficiaries. She can make gifts to the trust to purchase a policy on her life with a long term care rider\*. In the event she needs to access the benefits, the trust can make loans back to her for her care. Once she passes, the trustee can use the death benefit to pay any estate transfer costs including taxes so that her nieces' inheritance is kept intact.



**Planning for unmarried individuals requires a team of experienced professionals.** Choosing the right attorneys, accountants, financial professionals, and life insurance specialists can result in a plan that accomplishes all of the goals and addresses concerns specific to the individual.

## Don't overlook the planning

Unmarried people need estate and business planning just like their married counterparts; sometimes even more so. The right plan depends on the goals and concerns of the individual and on choosing the right team. A solid plan can offer protection and peace of mind to both individuals and their loved ones.

**Contact your financial professional today to discuss the role life insurance can play in your financial planning.**



\*Policy riders are available at an additional cost and may not be available for all products or in all states. Terms and conditions apply.

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