MONEY

VALUE OF MORTGAGE APPROVALS IN 12 MONTHS TO END OF AUGUST 2025
€16.7bn
HIGHEST LEVEL SINCE 2011

INCREASE IN MEDIAN PRICE OF A RESIDENTIAL PROPERTY IN SLIGO
26%
BIGGEST RISE NATIONWIDE IN 2024

SOURCE: BPFI, CSO

Couples can handle their finances without a hitch

While marriage offers great tax benefits, cohabiting partners don't have to run to the altar to protect themselves and each other, writes *Niamh Hennessy*

ALAMY

Anyone as averse to getting married as Julia Roberts in Runaway Bride can still take steps as a cohabiting couple

Moving in together as a couple is a big step in a relationship but, from a financial planning point of view, it does not make a whole lot of sense. Compared with marrying, simply cohabiting is far less advantageous when it comes to tax, inheritance, pensions and property ownership, potentially costing couples thousands of euros a year

Yet marriage is getting less popular by the year. According to the Central Statistics Office, the number of marriages last year was 7.7 per cent down on 2014. Money may not be able to buy love, but an increasing number of couples are just throwing it away

The biggest difference between marriage and cohabitation in Ireland is in taxation, especially when it comes to inheritance planning. That is because, under Irish tax law, unmarried partners are treated as "strangers in blood".

"In a married couple, when a spouse passes away, the surviving spouse benefits from a full exemption from inheritance tax on any assets left to him or her," Sarah McGurrin, head of employee benefits at NFP Ireland, says.

Not so for cohabiting couples. The lowest capital acquisitions tax threshold of €20,000 applies, meaning anything above that amount left to a partner is subject to CAT at 33 per cent. Depending on the value of assets in the estate, that could mean a substantial – and avoidable – tax bill.

Yet for couples who wish to remain unmarried, there are measures to help mitigate the financial risks of cohabiting. Putting the right legal frameworks and insurance in place can make a big difference.

OWNING PROPERTY

One of the first things cohabiting couples should do is ensure that the family home is secure.

Steven Barrett of Bluewater Financial Planning advises couples to see whether they meet the conditions for the dwelling house exemption, under which the family home can be inherited tax-free.

"If one partner owns the home and the other has lived there for at least three years, the house can be inherited tax-free," he says.

"However, the inheriting partner must not own another property and must continue living there for six years after inheritance."

If the house is in just one partner's name, the other has no automatic rights, even if they have split the cost of the home.

"Legally, the property belongs only to the named owner – that can leave the non-owner very vulnerable if the relationship ends or one partner dies," Shane Tobin, chief executive of True Wealth, says.

As a solution, he recommends a cohabitation agreement. This is a signed contract that sets out how a couple will deal with financial matters during the relationship and what happens if they separate or one of them dies.

Ruth Goulding, a solicitor with Beam, says cohabiting couples should check whether they are joint owners or tenants in common on the property they have bought by reviewing the title deed or title register of the property.

Joint tenancy means you co-own the property. Tenancy in common is when you each own equal or unequal shares of the property, with that percentage being registered on the title.

"Either of these documents should clarify how the property is owned. Joint tenancy is the most common type of co-ownership title," she says.

"In co-ownership, in the event of the death of a partner, it is usually more straightforward for a property to pass from one partner to the other if both are joint tenants.

"If you have registered as joint tenants and a co-owner dies, their interest in the property will automatically pass to the surviving joint tenant. This is known as the right of survivorship.

"If you have registered as tenants in common and one of you dies, their share of the property does not automatically pass to the surviving living owner. Instead, it will form part of the deceased owner's estate and it will pass to their beneficiary."

> **Property belongs only to the named owner — that can leave the non-owner vulnerable**

INSURANCE

There are various insurance options to help protect unmarried couples, such as "life of another" cover. This is a life insurance plan under which each spouse takes out cover on the other's life.

"Tom takes out cover on Mary's life, and Tom pays the premium. Mary dies prematurely and, as Tom is the owner of the policy, the proceeds are paid to the owner and not to Mary's estate, which is taxable," Barrett says. "As it avoids probate, the claim is paid out faster, and you just need to submit the death certificate to the insurer."

Also to help ease the transfer of assets, taking out a section 72 life assurance policy will help. The proceeds of this policy, if structured correctly, are exempt from CAT provided they are used to pay inheritance tax.

Couples can also give each other €3,000 a year without tax, as a way of managing financial transfers over the long term.

If children are involved, though, couples are recommended to structure their finances to include a children's savings plan and put a will in place to direct assets and, crucially, to name trustees and guardians.

"Without this, your estate may not go where you intend, and the surviving partner could face a court process just to access money for the children," Tobin says.

PENSIONS AND BUSINESSES

Other things to consider are pensions and what happens to a family business should someone die.

McGurrin warns the tax implications of inheriting pensions in Ireland can be daunting, especially for those who inherit an approved retirement fund (ARF).

"When a spouse initially inherits an ARF, they do so without incurring any inheritance tax or income tax," she says. "However, if the ARF is left to someone other than a spouse, such as a child or a cohabiting partner, both CAT and income tax may apply."

Mark Reilly, pension proposition lead at Royal London Ireland, says that cohabiting couples should consider nominating one another as beneficiaries to ensure pension benefits transfer across when one dies.

For couples who own a family business, marriage provides the added benefit of simplifying succession planning and ensuring the surviving spouse can continue managing the business without triggering a tax liability.

"Transferring shares in a family business between spouses is generally exempt from CGT, allowing for smoother transitions in ownership and control," McGurrin says.

Barrett points out that the home carer tax credit is available only to married couples, something that may be relevant in later years. He adds that, overall, unmarried couples should really plan out the transfer of assets between one another.

"Put everything in joint names, do not invest in property outside of the family home, and take out a 'life of another' policy on each other's lives," he says.

MAYBE JUST GET HITCHED

Tobin argues that the financial case for marriage "isn't about pushing you down the aisle" but, if a couple have built a life together, especially with children, making it official can protect as much as six figures of family wealth.

"It doesn't need to be a production," he says. "A quick registry office wedding costs €200. Even with a €30,000 celebration, the potential tax savings can easily outweigh both the paperwork and the party."

€? QUESTION OF MONEY

I inherited jewellery from my mother, including an engagement ring worth more than €10,000 and an antique sapphire ring which may be worth a few thousand. Are these rings automatically covered by my home insurance? Given the value, sentimental and monetary, of these items, I want to ensure they are.
Anon

Jewellery is usually covered under standard home insurance policies, but there is likely to be a very modest limit. In addition, if these items are accounted for only in your general contents, cover is likely to apply only in the home and for limited perils.

Given the rings' value, consider listing them individually on your policy so they are covered for the full replacement value — both in and outside the home. Send a copy of the valuation or purchase receipt to your insurer or broker and ask to specify the rings on your policy under the "all risks" section for worldwide cover. While some policies automatically cover all risks, which includes loss of jewellery outside your home, this is not always the case, and limits may apply. As a bonus, items under the "all risks" section usually have a lower claim excess than general contents.

I suggest taking detailed photos of your jewellery and sending them, with any valuations, to your broker or insurer. Keep copies for your own records too, as these will assist with a smoother claims settlement.

As at least one ring is an antique, make sure the valuation is up to date. Also, it is wise to ask a jeweller to check the items to prevent the loss of any precious stones — this may even be an insurer requirement.

Ask your insurer or broker if any conditions apply to your jewellery cover. Ensure you aren't bound by any single article limits in the policy for what your insurer defines as "high risk" or "valuables". Some insurers may add clauses, such as requiring the items to be kept in a secure safe when not worn. Other conditions could be that the settings around any stones are checked by a jeweller on a regular basis, or that the jewellery item be valued regularly.

It is essential to value the jewellery regularly. Prices can fluctuate, so getting items revalued will ensure they remain properly covered. Not only does a valuation state the items' worth, it also provides documents to prove you own the jewellery. In the event of a claim, the valuation is key to proving your loss. Without it, you could end up underinsured.

If, in addition to your jewellery, you have other valuables at home, such as fine art, wine or other antiques, another option is standalone collections insurance, which will also carry restrictions and conditions.

Geraldine Kelly is head of personal lines for Gallagher in Ireland

Send your personal finance or consumer-related questions to money@sunday-times.ie

Eoghan Gavigan

Bigger is not always better when it comes to financial advisers

Consolidation in the financial advice sector has had much airtime recently, with several brokerages being acquired by large corporate entities, often backed by private equity. One aspect of the debate that has been overlooked in Ireland is the effect on clients, with views often reflecting whether the commentator represents a sole or boutique firm, or a large corporate office.

Research in the UK by the investment consultancy Albemarle Street Partners found 73 per cent of advisers said that consolidation had not been good for clients. Almost 60 per cent said it led to a "weaker focus on the best interest of clients" while 28 per cent said it meant "less individualised financial advice".

What can happen is that consolidators, having initially captured the value contained in the book of clients, can then in a sense commoditise the clients of the acquired firms by channelling them to their own investment platform. The economies of scale, achieved by means of more standardised and less personalised advice, can lead to greater profitability, but at what cost to client outcomes? As we all know, in investing there are no free lunches.

I recently heard commentary from the owner of a large advice firm that there were too many sole advisers in Ireland. Being a sole adviser, this didn't sit well with me. It came into my mind again recently when I was travelling to a meeting with a client who needed help with a life cover claim. The payout of just under €500,000 was small compensation for what the family had been through in recent months, but it meant they didn't have to endure a financial crisis alongside a personal one.

The origin story of this life policy is telling. The clients approached me for help a few years ago. They had received a letter informing them that the monthly premium on a whole-of-life policy, which they had taken out some years earlier through a large brokerage, had been reviewed and was about to be raised to an amount that would make it impossible to maintain. A peculiarity of whole-of-life cover is that unless it is subject to a guaranteed premium, it rarely stays affordable for life. Like many who took out these policies, these clients hadn't realised their premium could be reviewed. I made representations to the life company and, after some discussion, a compromise was agreed whereby the clients were allowed to convert to a policy with a guaranteed premium. A good result for the client, brought about by an action that would never be included in any corporate KPI report.

> **Should targets be permitted when financial advice is based on needs?**

An as yet unresolved debate in financial services is whether targets should be permitted at all when financial advice is supposed to be based on needs. There's a saying in the corporate world that "what gets measured gets done", and during my time in that sphere I can attest that while there were plenty of targets, there was no target for helping.

A sole adviser by definition has neither superiors to set targets nor subordinates on whom to impose them. What a sole adviser or a boutique firm does is try to help as many clients as they can. Everything flows from that.

Product providers refer to large brokerages that channel large volumes of business to them as "good producers", and they treat them accordingly. Some would say that the special treatment that some large advisory firms receive from product producers means that they are hopelessly conflicted when it comes to fighting their client's corner.

I can't remember who originally wrote it but the truest statement I have ever read about the financial advice world, which has stuck in my mind for years, is that "the further you as a client are removed from the owner of your advice firm, the lower the accountability and quality of client outcomes will be".

Personalised and client-focused financial planning isn't scalable, as has been proven by the failure of a number of robo-advisers. I've had several approaches recently from people who want real financial planning from a real person. Increasingly, discerning clients with access to better information seem to agree that there are many things in life where big is beautiful – but financial advisory isn't one of them.

Eoghan Gavigan is the owner of Highfield Financial Planning; hfp.ie