

Financial Planning for Unmarried and Single Americans: Changing 20th Century Rules to Match 21st Century Living

a presentation to the PridePlanners 2005 Conference
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America is a much different place now than when I was born. I grew up watching television shows such as *Ozzie and Harriet* and *Leave it to Beaver*. Some of you might relate to this era.



These sitcoms pretty much reflected the way in which most households functioned in the 1950s. We lived in single wage earner households. Dad went to work while mom stayed at home raising the children. Divorce was uncommon. Unmarried cohabitation was rare.

According to the 1950 Census reports, married couples accounted for more than 78% of

American households. Everyone was expected to get married and have children, and almost everyone lived up to that societal expectation.

Employee benefit plans were rare. Most workers got a weekly paycheck, that's it. They purchased health insurance if they could afford it. Most people paid the dentist in cash. If they were lucky, their employer had a pension plan which lured employees to stay at the same job for decades in order to take advantage of it.

Financial planning in the 1950s was rather easy. Find a company with a good pension plan and stay loyal to that employer. Buy life insurance for dad so the family would not go to the poor house if he died. Grandparents would buy some savings bonds for the grand kids. Mom would open a Christmas club account at the bank. Things were pretty simple and straightforward.

No one complained about marital status discrimination back then, because 95% of the population got married. No one talked about family diversity then, because the nuclear family was a one-size-fits-all social institution.

Let's consider how things have changed now that we are mid-way into the first decade of the 21st Century.

- 50% of American households are unmarried.
- Most marriages are now preceded by cohabitation.
- 50% of all marriages end in divorce.
- Average Americans will spend more of their adult lives being unmarried than married.
- Family diversity epitomizes our households, which include solo singles, single parents, extended families, same-sex couples, unmarried heterosexual couples, and step families.
- 42% of the nation's workforce is unmarried.
- 65% of workers do not have a minor child at home.
- In most marriages, both spouses are now employed.
- Direct compensation is diminishing. Now, up to 40% of compensation is received in the form of benefits.

Given these new realities, is it fair to have workplace programs and government policies which favor the married over the unmarried? Should marital status or family status be used to confer economic rewards or to impose financial penalties? Should one type of family form be given "preferred" standing in society? Should solo singles be ignored? Should child-free or child-less couples be marginalized?

I suspect that many fair minded people would join me in answering each of these questions with a resounding "NO." And the volume and intensity of the response would be increased for those who believe, as many Americans do, in several key principles:

- Freedom of choice in highly personal decisions
- The right to live where and with whom one wishes
- Respect for family diversity
- Equal pay for equal work
- Separation of church and state
- Personal traits should prevail over class stereotypes

As it now stands, in 2005, many of these principles are being violated by public policies and private sector programs which favor married people over unmarried people and promote one type of family form over another.

Before I give some examples of how unmarried Americans are being penalized – as workers, as consumers, and as taxpayers – I would like to make an observation about the legalization of same-sex marriage.

A high percent of gays and lesbians will not marry even when same-sex marriage is legalized by the states and recognized by the federal government – and that day will come in the not too distant future. It may take another 15 to 20 years, but even the federal government will eventually recognize same-sex marriages as legal, just as other nations are now doing.



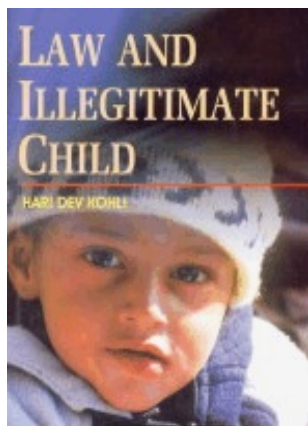
It is quite possible that a majority of gays and lesbians will not partake of same-sex marriage when that new era finally arrives. And for those who do choose to marry, it is probable that more than half of same-sex spouses will eventually divorce, just as half of all het-

erosexual marriages end in divorce.

The bottom line is that the legalization of same-sex marriage will not end the problem of marital status discrimination. It will simply give some gays and lesbians a place on the privileged pedestal of marriage.

Unmarried gays and lesbians will remain second-class Americans – unless we change the legal and political framework which promotes marital status discrimination.

Our current economic and legal systems are permeated by marital status discrimination. These systems mostly penalize the unmarried and reward the married.



The discrimination begins at birth. Many states continue to label children born to unmarried parents as being “illegitimate.” Some statutes still call them “bastards.”

Criminal laws against unmarried cohabitation are on the books in many states. Courts have used these anti-cohabitation laws to deny child custody, to restrict parental visitation rights, and to justify housing discrimination against unmarried couples.

Many auto insurance companies charge higher rates to unmarried drivers. Unmarried couples are denied joint policies for renter’s insurance or automobile coverage.

Businesses offering “family” discounts – such as gyms and country clubs – usually exclude unmarried couples from their definition of “family.”

Tax laws are unfair to the unmarried. Many married couples who file a joint return reap a “marriage bonus” from doing so, but unmarried partners cannot file jointly.

The federal estate tax favors the married too. For individuals with estates over \$1.5 million, the government will take up to 45% from an unmarried person while a married person can leave an unlimited amount of wealth to a surviving spouse, tax free. Many states have biased inheritance tax laws too.

The social security system is also unfair to unmarried workers. We all pay the same percent into the system in a payroll tax, regardless of our marital status. But an unmarried person without minor children who dies a month before retirement forfeits everything. For a married person in a similar position, the situation is different. The surviving spouse can collect on that social security account for years, even though the spouse did not pay into the Social Security Trust Fund. Some wealthy surviving spouses collect more from their husband’s benefits than many unmarried women collect even though they were employed for decades.

The social security system pays a \$255 death benefit to a surviving spouse, even if the couple have no minor children. However, an adult survivor of an unmarried person gets no help to bury the deceased.

Traditional retirement funds also discriminate against the unmarried. Employer contributions are forfeited if an unmarried worker dies prior to retirement. Not so for a married worker whose spouse can collect a survivor benefit.

Unmarried employees without minor children also get shortchanged at work when it comes to employee benefits. Just considering health and dental benefits alone, this can amount to \$5,000 to \$10,000 per year in pay differential based on marital status and family status.

These examples are just the tip of the marital status discrimination iceberg. And none of this is illegal because federal law does not prohibit marital status discrimination and most state laws do not apply either.

So where does that leave us?

Most American households are headed by unmarried adults and family diversity is the norm. People are marrying later in life and, considering divorce and widowhood, they are spending a minority of their adult life being married.

Gay marriage is headed for legalization. But even when there is an undisputed right to same-sex marriage which the federal government recognizes, the fact is that a large percent – possibly a majority – of gays and lesbians will not legally marry.

Even if the current push to add “sexual orientation” to state and federal civil rights laws is successful, these new laws will not protect unmarried gays and lesbians from “marital status” discrimination.



In the post-gay-marriage era, society will still be divided into the privileged and the unprivileged, the protected and the unprotected, the rewarded and the penalized. Whether gay or straight or bi-sexual, single adults and unmarried couples will remain second class Americans.

The only way to avoid this is for “marital status” to be removed as the basis for rewarding or penalizing workers, consumers, and taxpayers.

Remove marital status from the tax codes, so that there is no “marriage penalty” or “singles penalty” in the tax laws. Decriminalize unmarried cohabitation. Declare that all children are “legitimate” regardless of the marital status of their parents. Add “marital status” and “family status” to the federal laws prohibiting discrimination in employment and housing. Amend state laws to prohibit marital status discrimination in all business transactions.

Perhaps when the dust settles on the gay marriage issue, and when gay and lesbian rights advocates realize that “sexual orientation” nondiscrimination laws have gaping holes in them, there will be more interest in creating broad coalitions to work for a larger political agenda that will focus on the needs of unmarried and single Americans.

In the meantime, and that will be for many more years, financial planners will continue to face the challenge of providing service within the framework of a society which promotes marital status discrimination.

I encourage you, as financial advisors, to study the issues and find ways to help your clients plan for a better and more secure financial future, whether they live alone, have a partner, or are raising children.

To assist you with this task, I have created a special website section which contains information specifically focused on financial planning for single people and unmarried couples. (See www.unmarriedamerica.org.)

I applaud the important work that you do to help level the financial playing field for people who are not married. Hopefully, the PridePlanners association will continue to broaden its focus to include all unmarried and single Americans, regardless of sexual orientation and regardless of whether they have a partner or are a solo single.