GET WITH THE PLAN

Personal-finance professionals offer readers a financial road map

The situation

Jeff and Tom are a same-sex couple in a New Jersey civil union. They have great concerns about protecting each other both financially and legally, and they want to make sure they are covering all the bases. In the long term, they would like to retire at age 50, and a short-term goal is to move from their urban condo to a more suburban locale.

Net worth

ASSETS

Checking/savings	$22,045
Money market	$4,200
Jeff IRA	$15,794
Tom IRA	$6,828
Jeff 401(k)	$35,084
Tom 401(k)	$23,343
Jeff brokerage acct.	$13,167
Jeff emp. stock plan	$2,745
Home	$365,000
Property/autos	$12,500
TOTAL ASSETS	$500,706

LIABILITIES

Mortgage	$272,331
Tom credit card	$3,400
TOTAL LIABILITIES	$275,731
TOTAL NET WORTH	$224,975

Budget

ANNUAL INCOME:

Tom: $82,000; Jeff: $130,000

MONTHLY EXPENSES

Income taxes	$2,188
Housing	$3,261
Utilities	$415
Food	$620
Personal care	$130
Transportation	$310
Medical	$290
Credit card	$525
Entertainment/vacations	$440
Miscellaneous	$260

The way out

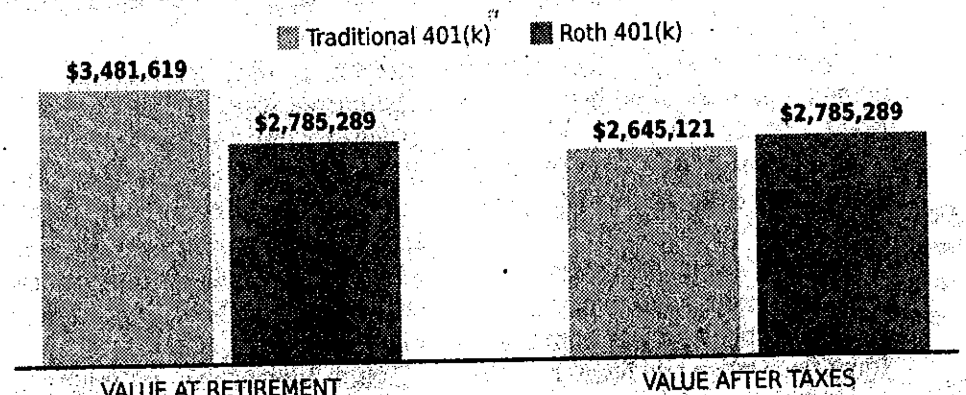
The Hudson County couple are doing a very good job saving, and they will have a good nest egg if they continue on their current path. They need to make sure their beneficiary designations are updated, and they need to draft wills that reflect their wishes. They also need more disability insurance so they would be able to maintain their lifestyle should something happen to one of them.

ROTH 401(K)S

Jeff and Tom are both taking advantage of their Roth 401(k) plans at work. A traditional 401(k) allows you to save pre-tax dollars, which lowers your taxable income today, but when you retire, the money is taxable. But with a Roth 401(k), you are investing already-taxed money, which means the funds will all be tax-free when withdrawn at retirement. Here's a look at how Jeff's Roth 401(k) account could grow compared with a traditional 401(k) plan.

ASSUMPTIONS:

Annual savings: $15,500
Rate of return: 8 percent
Tax rate today: 25 percent
Tax rate in retirement: 25 percent



THE STAR-LEDGER

SOURCE: Douglas Duerr, CFP and CPA

Couple need extra steps to protect their assets

BY KARIN PRICE MUELLER
STAR-LEDGER STAFF

Tom, 27, and Jeff, 25, have entered into a civil union in New Jersey, but they're worried about their financial fate at the hands of the federal government.

"We're unsure how we should manage our assets to ensure that we don't create an unfavorable tax situation," Jeff says. "We'd both like to retire by age 50, live near the ocean and buy a boat. We may continue to work part-time during retirement."

The couple do not plan to have children, but they would like to relocate from their urban condo in Hudson County to a more suburban location with a small yard and more square footage.

Tom and Jeff, whose names have been changed, have so far saved \$58,427 in 401(k) plans, \$22,622 in IRAs, \$13,167 in a brokerage account, \$2,745 in Jeff's employee stock purchase plan, \$16,385 in savings, \$4,200 in a money market and \$5,660 in checking.

Except for their home, their only debt is a credit card with a 1.9 percent interest rate — a balance transfer from a 9 percent student loan.

The Star-Ledger asked Douglas Duerr, a certified public accountant and certified financial planner with Duerr & Duerr in Montville, to help the couple navigate the challenges faced by many same-sex couples. Duerr says the couple are on their way to reaching their goals, and they're excellent savers.

"However, as a same-sex couple, there are many items which they must address immediately in order to ensure they are able to attain their goals as well as protect their assets given that lack of laws currently protecting civil unions and same-sex couples," Duerr says.

DO IT YOURSELF

For more estate-planning guidance for same-sex or unmarried couples, check out the **American College of Trust and Estate Counsel** (www.actec.org) and **RainbowLaw.com** (www.rainbowlaw.com).

Duerr applauds their choice to both max out their Roth 401(k) rather than a traditional 401(k). He says this is a great move — they give up the benefit of any tax deduction today, but at retirement, they'll receive the funds tax-free.

Duerr says in regards to their retirement plans, it is absolutely crucial they ensure they are each listed as each others' designated beneficiary.

"Everyone always assumes their spouses or children are the named beneficiaries," he says. "You should confirm the identity of your beneficiary with either your retirement plan administrator or with your bank or financial institution."

Duerr suggests they also get a copy of the retirement plan paperwork for their records, as this paperwork sometimes can disappear when benefit management companies merge or change ownership. Another item they need to address immediately is drafting proper wills which clearly state their intentions.

"With the lack of laws protecting same-sex couples, they cannot leave any items unaddressed," Duerr says. "They need to ensure that should one of them pass away, the other receives what was intended for them."

He also suggests they have living wills and durable powers of attorney drafted, which would guarantee they would be responsible for making decisions for each other should they not be able to care for themselves.

Jeff and Tom also need to review their insurance policies. The largest gap was in their disability coverage. They both thought their employer-sponsored plans would cover 100 percent of their salaries if disabled, but the plans only cover 30 percent of current earnings.

"This is not uncommon, and often overlooked by most people," Duerr says. "Should someone become disabled, they may not have adequate funds to maintain their lifestyle."

Get With the Plan involves readers anonymously divulging their personal financial information in exchange for free advice from a professional. The feature is designed to illuminate personal-finance concepts and isn't a substitute for actual financial planning or dedicated professional advice. Readers who would like to participate may contact Karin Price Mueller at kmueller@starledger.com.