Consumer Reports

The Financial Benefits of Marriage

A Valentine's Day proposal could lead to a money boon for you in many ways

By Beth Braverman
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Valentine's Day isn't just about exchanging chocolate and flowers with a loved one. It's also a day when many people consider getting engaged. According to a study from American Express using data from two years ago, 1 in 12 unmarried couples was expecting a proposal on Valentine's Day.

Proposing to your loved one can lead to many financial bonuses–assuming the proposal leads to marriage. Here are a few of the financial benefits of getting married.

Lower car insurance premiums. When you unite with someone, chances are your cars will unite as well, under one car insurance policy. The cost of insuring two cars this way is typically less than having an individual policy for each car. Most insurance companies offer a multicar discount, and many also have a reduction in rates for married couples.

Our analysis last year found that two 30-somethings who combined their car insurance policies after marriage would save an average of $525 per year on the merged policy. The savings vary by state and insurer. A Texas couple in this example would save an average of $780 with Geico but just $360 with State Farm.

If you decide to get married, shop around for insurance. You may be able to find further savings by bundling your home and auto policies, increasing your deductible, or opting for a pay-as-you-drive policy.

There is one circumstance in which it might not make sense to combine policies: If one spouse has a particularly poor driving record, separate policies could end up costing you less.

More tax benefits. There are several ways that the tax code favors married couples filing jointly over single filers in most cases. If there's a large discrepancy between the bride and groom's incomes, for example, the lower-earning spouse might serve as a tax shelter for the higher earner.

Example: A bride with no deductions and a taxable income of $65,000 would owe $9,389 in 2017 taxes, while her groom making $40,000 would owe $3,974. Filing as a joint couple with a taxable income of $105,000, however, they'd owe $12,528, a savings of $835.

High-earning couples with similar incomes might actually face a “tax penalty” for filing jointly, so run your numbers with this calculator from the Tax Policy Center. For 2017 taxes, the marriage penalty starts to phase in once both individuals are earning a taxable income of around $80,000 or more. Once the new tax rules go into effect next year, however, that penalty will disappear for most taxpayers because most tax brackets for married filers will be exactly double those of single filers.

In 2018, only households with a combined income of $600,000 or more will pay a tax penalty for getting hitched. Under the new law, single filers can earn up to $500,000 and be taxed in the 35 percent bracket, says Elaine Maag, a senior research associate at the Urban-Brookings Tax Policy Center. But she says that if you’re married, you can earn up to $600,000 before you have to pay 37 percent.

Married couples this year might also find additional tax savings if their combined deductions now give them the ability to itemize their taxes. That benefit will be less lucrative in 2018 because the standard deductions are set to double (to $12,000 for single filers and $24,000 for joint filers), meaning that you’ll need a lot more deductions in order to make it worth itemizing.

For married couples that itemize, new limits on deductions put them at a disadvantage to their single peers. Under the new law in 2018, households are limited to $10,000 in deductions on state and local taxes, whether they’re filing as individuals or a couple.

Given the significant changes to tax policy, you may want to work with a tax adviser to see whether it makes sense to adjust your withholdings at work. “That’s something you should do after you get married anyway, with or without the new tax law,” says Jackie Perlman, principal tax research analyst at the Tax Institute at H&R Block.

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More Social Security options. Of the hundreds of federal financial benefits of getting married, options around claiming Social Security might be one of the most valuable. Most married couples have the option to claim either their own Social Security benefits or spousal benefits under their spouse’s earnings. That can be a great deal if one member of a couple didn’t pay into Social Security for at least 40 quarters (10 years) or earned significantly less than the other.

Under the spousal benefit, you may be able to receive Social Security payments worth up to 50 percent of your spouse’s entitlement at full retirement age. Your claim will have no impact on how much your spouse receives.

As is the case with individual Social Security benefits, you can file for spousal benefits when you turn 62 (as long as your spouse has already filed for Social Security or disability benefits), but for every year you wait the amount of your check will permanently increase until you reach your full retirement age.

Exemption from the gift tax. Even if an unmarried couple isn’t exchanging large gifts, sharing large expenses might trigger gift tax issues. If there’s a large discrepancy between the incomes of a couple and one member is paying for more than 50 percent of joint household expenses and more than the gift tax threshold—$14,000 in 2017 and $15,000 in 2018—she might have to file a gift tax return for the additional amount. It's possible to address the issue with some advance tax planning, but getting married would eliminate it entirely.

"The IRS views married couples as a single taxpayer," says Patrick Beaudry, a CPA with the PNC Center for Financial Insights. "So if I make a tremendously large gift to my wife, that's not a gift for tax purposes, but if I gave it to her before we got married, it's a taxable gift. That's a significant benefit to being married: You have the ability to transfer assets from one person to the other."