

[Guest Post] Is Getting a Prenup a Wise Financial Decision?

Today we have a guest post on the topic of prenups, a topic that has the potential to sour the romantic nature of relationships. I still remember a guest that attended my wedding reporting back to me that my grandmother had just said "I hope he got a prenup." The funny thing is most people probably misunderstand exactly what a prenup is and what it does. My grandmother also didn't realize that my newly wife was actually bringing more financial assets to the relationship than I was at that time. My wife and I never really had a reason to consider a prenup, because neither of us had much in the way of assets, and everything we did build in the future would be done together. That said, there are actually some valid reasons why you might want to consider a prenup and Eva is going to walk you through the considerations below:

I am not married, but my boyfriend and I have talked about the topic extensively. Frankly, I am not sure if I want to ever get married, but if I choose to say "I do," I will be getting a prenup. The decision to get a prenup is an informed decision I came to after hours of research and "free" initial consultations with family law attorneys.

When I started looking into it, I knew very little about prenups, except for that Kayne said "We want prenup." Even though that should have provided me with enough social validation to get one, I thought I should do my own research instead of just blindly listening to Lord Kayne.

When you hear about prenups in the news, it is usually in relation to someone rich or famous, or rich and famous. Recently, there has been buzz around Meghan Markel, a budding actress, and her prospective engagement to Prince Harry. Obviously, there is a huge income gap between the two parties so it makes sense that a prenup be involved.

Let's start with what people think of when they hear that their friend, let's call him Bobby, had his fiance, let's call her Sally, sign a prenup.

What Sally's friends say behind her back:

“Girl, they are for sure getting a divorce.”

“How could he!? Damn he must think they ain’t going to last”

What Bobby’s friends say to his face:

“Oh dang! Did she cry? Women hate the word ‘prenup’ ”

“My man! Good for you. Protect yo self!

There are many misconceptions, including what Bobby and Sally’s friends said, when people think about a prenup. Below are some of the most common:

- If you sign a prenup, you are essentially admitting that divorce could happen, and thus are more likely to get divorced
- Prenups aren’t upheld in court so why go through all the hassle?
- If your spouse asks for a prenup, it means that he/she doesn’t trust you

A prenuptial agreement is a contract between two parties before they get married, that governs their financial obligations and speaks about how their property will be treated. While a prenup is commonly used when one party is wealthier than the other, that is not the only use. A prenup can be used by couples where one party owns an interest in a business or when one party is prone to taking out more debt than the other. As a serial entrepreneur, I have business interests in several companies. I will continue to start companies throughout my life, and having a prenup will allow me to clarify that these business interests will be treated as separate property should my husband and I decide to part ways.

Even though everyone knows that the divorce rate in the US is a little under 50%, each couple believes that they are the exception to the rule. This false optimism leads them to avoid protecting themselves. Instead, think of a prenup in the same way that you think of car insurance, hurricane insurance or health insurance. You hope that nothing bad ever happens and that you won’t need to file a claim, but if it does, you are protected. You don’t think you will ever get divorced, but as no one can predict the future, you have a prenup in place just in case.

Based on my own experience exploring the topic of whether or not to get a prenuptial agreement, here are 4 reasons as to why getting a prenup is a smart financial decision.

1) A prenup instigates a conversation around finances

Kevin Leary, otherwise known as Mr. Wonderful on the popular show Shark Tank, [was quoted in Entrepreneur](#) saying “Demand a prenuptial agreement” says O’Leary. “It forces you [and your betrothed] to tell the truth about your financial past...It’ll save you hundreds of thousands of depression and grief and it may save your marriage to find out.” As part of the prenup, each party needs to make full disclosure about their current financial situations. You have to be transparent about all of your assets and debts. I believe O’Leary is right. At the very base, a prenup will require both parties to sit down and discuss their financial pasts and expectations for the future. I have several friends that have gotten married without having a discussion about whether they are a saver or spender, what their financial goals are etc. If you do not have these kind of conversations with the person you are about to spend the rest of your life with, you are going to run into problems later on, especially when children are involved and money goes out the door faster than when it did when it was just you and your partner.

2) A prenup can protect your interest in your current and future businesses

If you are an entrepreneur like me, having a prenup is crucial. Should I get divorced, I want to make sure that my interests in the businesses I spent so much effort, time and resources on, remain mine. A prenup enables me to keep my business interests as my own separate property. The same principle applies if you are a musician, content creator on Youtuber or writer. Keeping your intellectual property as separate property is something a prenup can help you accomplish.

If you are a professional (i.e. lawyer, doctor, accountant) even though you may be slaving away as an associate now, you may at some point venture out on your own and start your own practice. In this case, you may want your business interest to be separate. Some partnerships even require the parties to have a prenup (or postnup if you are already married) in place so that if something were to happen to you, whether voluntarily or involuntarily, your interest would not pass to your spouse, but would remain with the firm.

3) A prenup can dictate that debts are separate

If your spouse has a history of taking out a lot of debt, you may want to consider having a prenup that delineates that debt will be considered separate property.

Without a prenup, depending on what state you live in, you could be liable for paying for your spouse's debt obligations, should you get a divorce.

4) A prenup can speak to the financial responsibilities of each party

Will you be filing taxes separately or jointly? If all assets are separate, how will household expenses be paid? Will you have a joint account for expenses? How much will each party contribute? These are the questions that should be discussed and addressed in a prenuptial agreement.

If you do not have a prenup you are letting the state, and more specifically a judge, decide on how to partition your assets. It could end up in your favor or it could be to your detriment. Instead, why not decide now what you both think is fair, should you decide to part ways in the future? Of course, no one wants to think or even address the big "D," but unfortunately divorce happens, sometimes for reasons out of your own control. We all hope divorce doesn't happen to us, but we don't know what the future holds. I believe it is best to something in place to protect against the hardships of divorce, including the costs. Prenups are not about love or romance, they are documents that protect the financial futures of you and your partner.

Eva Hibnick is a graduate of Harvard Law School. She is a serial entrepreneur who started a digital agency and because of her own experience researching prenuptial agreements, now runs [Endure](#), a service that provides affordable online prenuptial agreements. Prior to joining the tech world, she was an attorney in New York City.

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Gen Y Finance Guy

Hey, I'm Dom - the man behind the cartoon. You'll notice that I sign off as "Gen Y Finance Guy" on all my posts, due to the fact that I write this blog anonymously (at least for now). I like to think of myself as the *Chief Freedom Officer* here of my little corner of the internet. In the real world, I'm a 30-something former C-Suite executive turned entrepreneur turned capital allocator. I am trying to humanize finance by sharing my own journey to Financial Freedom. I believe in total *honesty* and *transparency*. That is why before I ever started blogging, I decided that I would share all of my own [financial stats](#). I do this not to brag, but instead to inspire motivate, and also to hold myself accountable. My goal is to be a beacon of hope, motivation, and inspiration for *you*, the reader, by living life by example and sharing it **all** here on the blog. My sincere hope is that you will be able to learn from me - both from my successes and my failures! [Read More](#)