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5 Reasons For a Prenup—Even if You Aren't a Celebrity



By Kyung (Kathryn) Dickerson



Co-authored by Alan Plevy, Co-founding Principal at SmolenPlevy

There's nothing classically romantic about prenuptial agreements. Most couples willfully avoid them because they don't want to ruin their blissful idea of a marriage lasting until death do they part. But they can learn from the long list of celebrity splits about what can happen when you don't have a prenup. In one of the most expensive Hollywood divorces, actor/director Mel Gibson reportedly paid \$425 million to his ex, Robyn Moore.

Recently, actress Kaley Cuoco, the 30-year old star of the Big Bang Theory and one of TV's highest-paid performers, split from tennis player Ryan Sweeting. Because of a prenuptial agreement, he reportedly will only get a lump sum of \$165,000 and \$65,000 for legal fees.

But you don't have to be a celebrity to benefit from a prenuptial agreement. Without one, divorce litigation can become costly and complicated. More importantly, a premarital agreement often forces couples to discuss in detail uncomfortable financial issues that they might otherwise have ignored. It is challenging to discuss what debt a person brings to the marriage and the basis of the debt - especially if it is consumer debt, like credit cards. Disclosing a prior bankruptcy can be more difficult than disclosing a prior marriage. A premarital agreement, no matter who brings it up, opens the door to those conversations.

Here are some reasons prenuptial agreements can be useful for couples.

Second marriages/blended families: Often, people have continuing obligations to their prior spouse or to children from a prior relationship. Premarital agreements can determine which assets will be protected or allocated for the children of a prior relationship, and which assets will be safeguarded for the new spouse. Premarital agreements can also protect the new spouse's assets from being used to pay the arrears or debts arising out of their spouse's prior marriage.

If you own a business: Young entrepreneurs rarely imagine a divorce being one of the biggest threats to the stability of their business, but it can significantly impact cash flow, ownership, and productivity. Regardless of whether you started your company before marriage, a spouse may claim a portion of the business appreciation or income. Prenups can classify which assets are separate or marital. This means you and your intended spouse can agree that your business will be considered your separate property and not subject to division upon divorce.

Death or disability: While most people think divorce when they hear about premarital agreements, such agreements can also protect your assets in case of disability or death. Premarital agreements can prevent, or provide a remedy if an estranged spouse retitles or liquidates assets during their spouse's disability.

Debt: Some couples may have more debt than assets. Couples with significantly different debt loads can protect themselves in the same way as couples with vastly different wealth. The couple can agree as to which debt shall be considered a separate, non-marital obligation and how the income of the couple will be allocated during the marriage as to the payment of that debt.

Inheritances: If one or both spouses expect to receive an inheritance over the course of their marriage, a premarital agreement can protect it from division upon death or a divorce. Family heirlooms can also be specified to remain in one spouse's possession.

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Kyung (Kathryn) Dickerson 

Principal at SmolenPlevy, an award-winning Washington, D.C.-area law firm.