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TAX MATTERS

Getting married? Financial do's and don'ts for couples saying 'I do'

SPECIAL TO THE GLOBE AND MAIL
PUBLISHED JUNE 26, 2025

Last year my son, Win, got married. This year, my best friend's son, Noah, is getting married. I shared some very important advice with Noah last weekend. First, I told him that no husband has ever been shot while doing the dishes. Second, if his wife says "do whatever you want," it's a sure sign that he had better not do whatever he wants.

When it comes to personal finances after marriage, there are some definite do's and don'ts. Today, let me share the most important ones. And by the way, those living in a common-law relationship are treated the same under our tax law as those who are married, so many of these tips apply to you as well.

The Do's

Do identify your approach to money. Are you a saver? A cautious spender? A carefree spender? Do you avoid thinking about money? Is your spouse the same way? Have a conversation about this with your spouse and agree on how you'll approach any differences you have in the way you think about money.

Do set up a spousal RRSP. In a perfect world, you and your spouse will have equal incomes in retirement (this will minimize tax). If your incomes are different today, consider opening a spousal RRSP so that the higher income spouse can contribute to the spousal plan for the lower-income spouse. The annuitant (lower-income) spouse can face the tax on the withdrawals later, subject to certain rules. See my article from Feb. 24, 2024, for more.

Why are so many couples having two weddings?

Do create or revise a will. If you have a positive net worth of any amount, and you're over age 18, you should have a will. And if you're married, it's even more important. Leaving your assets to your spouse on death will allow for a tax-deferred transfer to your spouse, and no tax owing until your spouse disposes of the assets or dies.

Do take advantage of tax credits. If you're married and one spouse doesn't need certain tax credits to reduce their taxes to zero, it may be possible to transfer the credits to the other spouse. I'm thinking of the age, disability, tuition, pension and Canada caregiver credits. There's also a spousal amount tax credit available if your spouse has a low income. Finally, medical expenses should be combined and claimed on the lower-income spouse's tax return, while donations should be combined and claimed on one spouse's tax return (either return will do).

'She is going to get it all': What really happens when wills aren't clear

The Don'ts

Don't try to deduct your wedding. Well, this idea did work in the case of Grunbaum v. The Queen (94 D.T.C. 1384) where the Tax Court of Canada concluded that the $12,478 spent by a business on the wedding reception of the owner's daughter did qualify as a deduction because it was in connection with invitations sent to business guests and their attendance at the wedding. The court decided that the invitations were sent for the purpose of gaining or producing income from the business. But be aware that most attempts to deduct wedding costs have failed because they don't meet this business-purpose test.

Don't try to claim two principal residences. It's the case that each family unit, which consists of spouses and any unmarried children under age 18, is entitled to fully shelter from tax one principal residence (if you own more than one that overlap for more than one year). If you each bring a residence into the marriage and hold them for a few years, you won't be able to fully shelter both properties from tax on any capital gains. If you want to shelter both homes fully from tax, you'll need to sell one of the properties either before you get married, or no later than the tax year in which you get married. The rules are complex – so speak to a tax pro.

Weddings aren't cheap, but U.S. tariffs might force couples to pay even more to say 'I do'

Don't forget insurance. You probably have insurance for your car, home, and workplace group benefits. If so, be sure to update your policies to include your spouse. And if your spouse or other dependants would struggle financially if you were gone tomorrow, you should consider buying life insurance to provide the necessary cash to generate continuing income for them.

Don't ignore the CRA. Our tax law requires you to let the Canada Revenue Agency know when your marital status changes. You have until the end of the following month after the change in your status to do this. Noah is getting married on Aug. 23, so he'll have until Sept. 30 to let CRA know. You can do this by logging into My Account online and making the change there, by calling 1-800-959-8281, or by sending CRA a completed Form RC65, Marital Status Change.

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