



All's fair in love and financial planning

With one in five new marriages set to end before a couple reaches their tenth wedding anniversary, prenuptial agreements ('prenups') are becoming increasingly popular.

Are prenups a pessimistic sign of the times, or simply good wealth planning?

Money and marriage have always gone hand in hand. The first written record of a marriage comes from ancient Mesopotamia in 2350BC, and the first written record of a marriage dowry comes from the same region, just 50 years later.

Prenups are old news

You might think of prenups as a modern phenomenon, but the earliest surviving example of a prenuptial agreement is preserved on papyrus, and was written in 465BC in Ancient Egypt. In this document, the lady in question was promised that – should her marriage fail – she would be compensated by 36 bags of grain and 1.2 pieces of silver every year for the rest of her life. This agreement is not unique for its time: the oldest remaining examples of the traditional Jewish 'ketubah' (outlining the amount due to a wife at the end of a marriage) date back to a similar age (440BC).

These ancient prenups were often fairly punitive arrangements, no doubt intended as much to disincentivise divorce as to protect the financial wellbeing of a vulnerable divorced spouse. By contrast, a modern prenup is an official agreement between two people who are about to enter into a married or civil partnership, outlining how their assets will be reasonably divided should the partnership end. Modern prenups are generally understood to be more about the fair division of assets than as compensation for the end of a marriage.



Are prenups common today?

According to research conducted by Handelsbanken Wealth & Asset Management, nine-in-ten (89%) UK couples in marriages or civil partnerships do not have a prenup in place. Our data shows that prenups are rising in popularity among younger couples: the overwhelming majority (99%) of over-55s did not have a prenup in place, but this fell to 60% for those under 34 years old.

Prenups are not legally binding under UK law, but couples should not make the mistake of assuming this means they're not worth having. Courts are increasingly accepting prenups as evidence of a couple's intentions in cases of divorce, and in this regard they can very much influence divorce settlements.

When we asked survey respondents without a prenup about why they hadn't chosen to put an agreement like this in place, the most common answer was that the couple saw no risk of a separation in the future. Unfortunately, the reality could be quite different. The latest figures from the Office for National Statistics suggest that around one in five new marriages in England and Wales will end in divorce before their 10th anniversary. Only three in five are likely to make it to their 25th anniversary.

A prenup attempts to face and effectively resolve the financial questions involved in separation before any conflict arises, to smooth the course of a potentially very painful and damaging life event. If a divorce never comes to pass after the prenup has been put in place, so much the better.

Among couples we surveyed who did have a prenup in place, 31% said they'd done so for peace of mind around financial matters. Other common reasons included protection of individual assets, avoiding legal battles, and protecting one partner from the other's debt or financial liabilities.

Can prenups protect business interests and family wealth?

Our research has shown that another common reason to have a prenup in place was to protect a family business or professional practice. This is a particularly pertinent point for entrepreneurs and business owners, given the potential disruption of an unexpected divorce or separation. While conversations around business interests can be uncomfortable in the run up to a marriage, proactively putting a prenup in place to safeguard a business and prevent disruption could prove critical in the unfortunate event of divorce, reducing the risk of damaging and/or lengthy legal disputes.

We know that many parents are also concerned about family wealth, and their child's financial security, in the event of a divorce, and some of our survey respondents suggested that their parents had pushed them into putting a prenup in place. It can be incredibly difficult to discuss concerns around prospective divorce with your child ahead of their marriage, and naturally many families shy away from this topic for fear of upsetting their child or alienating their future son-in-law or daughter-in-law. We think that one of the best solutions is to have discussions around prenups and family wealth with your children before they meet their partners, to ensure that any later course of action doesn't appear targeted at a specific partner.

We're not legal advisers, and it's important to take the right legal guidance if you're thinking of putting a prenup in place. Prenups aren't for everyone, and – like all legal documents – a well-crafted prenup will come with a price tag. However, we do believe that agreements like prenups are among the many options worth investigating as one possible tool in your long-term wealth plans, alongside other critical legal considerations like an up-to-date will.

When it comes to marriage, seeking the correct financial and legal advice is always crucial, and can help to provide you, your partner, and perhaps your wider family and your business, with greater security and peace of mind.

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**If you have questions about our wealth planning services, please contact the Marketing team:
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