A FINANCIAL PLANNING GUIDE **FOR THE LGBT COMMUNITY**

by Kermit Johns

WORTHPOINTE

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Introduction

Kermit Johns, RFC®, Partner,
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You have downloaded a compilation of knowledge intended to provide you the basic tools you will need to navigate personal financial planning. When I first conceived of this book, my intention was to share my own knowledge. The more I got into it, the more I realized how valuable the knowledge is from the financial professionals on whom I rely in my own financial planning practice.

What's in this eBook?

If you are newly married or are planning to get hitched, you should read though Iain Howe's contribution on income taxes. You will discover surprising information that will affect your life together.

Liz Brenner offers important and reliable information on estate planning. This very important area is often overlooked until it is too late. I encourage you to read it several times to make certain you understand its significance.

Embarking on a life together that's going to include a real estate purchase? Read Jacobs & Mikeska's advice on real estate and what Shawn Muncy has to say about mortgages.

Confused about insurance? Andrew Chavez lays bare a lot of the terms in insurance policies that most agents never bother to explain. His contribution is definitely worth the read.

My own contribution on investments helps you understand the complexity of the process of selecting the investment vehicle that is right for you.

While not really a standard financial planning subject, I have included an article written by Andy Miller about adoption and surrogacy for same-sex couples. Andy describes the processes available, but most importantly offers an outline of costs. I hope you find it informative.

Why it's important to you.
There are many professionals out there for you to choose from. Many of us rely on friends and family for referrals, or to begin our personal financial planning we may google a few keywords to begin our search. What I hope to provide here is a primer you can rely on to get started so you're not completely in the dark. When you do choose a professional, you can speak intelligently on these complex subjects with a little more than a layman's understanding.

Why you can trust the accuracy of what you find here.
I chose these professionals because I trust them, but also because I can refer my clients to them without hesitation. You'll find valuable information you can rely on to guide you. My contributors are professionals with a depth of knowledge who are able to present this material with compassion and humor.

I've always believed there is no such thing as financial planning for gay people, as today's world, taxation, estate planning, investments, etc. are pretty much universal. What does matter is the understanding of the professional with whom you choose to work.

These are people who understand who you are and your needs. A long time ago, before I began my career in personal finance, I very proudly opened my first brokerage account with what was then a large well-known Wall Street firm. My experience with my first account executive left me frustrated and angry. When he paid me a visit and was impressed by my success, I'm sure he thought he and his firm could advise me in the years to come. But sadly, I was treated with cold disrespect when I disclosed my sexuality. Did I want to work with someone who really believed I was so different that I was dangerous?

When I began thinking about advising people on their finances, I wanted to operate from a position of trust, safety and above all, understanding. So when I did choose that path, some years later, the approach I took was just that.

The people who have contributed to this effort, while not all gay, share that compassion.

I strongly urge you to contact any of the contributors to this eBook. Contact information is provided at the end of each article.
Thanks again for downloading this valuable information. Enjoy!

Chapter 1: Investments

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There is simply no special formula for investing if you happen to be gay or black or Asian or Martian. What matters is that you educate yourself about investments. Simply put, you need to set goals that are specific to you that will help you achieve the path to investing success, whether that be saving for a home purchase, an education or a comfortable retirement.

This chapter is intended to help you navigate the investment arena by providing some insight into some of the terms you'll encounter whether you go it alone or engage a professional advisor or financial planner. There are more than enough resources available out there for you to find what you need to go it alone. But if you work with an advisor, online or in person, you'll have a better shot at understanding this world.

Keep in mind that the subject of investments is truly complicated and will cover many more areas than I have room to present here. But whet your appetite it may, so proceed cautiously, and consider the concepts I present. They may well help you avoid a costly mistake.

The Investment Process

Before you begin an investing, assess where you would like to go. Whether you're working with an advisor or starting out on your own, do yourself a favor and set your goals and objectives.

If you decide you want to work with an advisor, he or she should take you through a multi-step planning process before you commit any of your hard-earned savings to any investment other than cash. For instance, it’s very important for you to understand allocation of asset types, including stocks, bonds, and short-term investments, both domestic and foreign.

While an advisor or financial planner will develop an investment policy with you, be prepared with an idea of what you would like to see your investments do for you — even if that’s just deciding on a date in the future when you would like to retire. Your long-term investment objectives along with your attitude toward risk will determine the allocation of assets in your investment portfolio.

Asset allocation is the most important investment decision because it’s the basic determinant of how your portfolio will perform. An advisor or planner will help you decide how much of your portfolio belongs in each of the different investment types, or asset classes, noted above. If you’re doing this on your own, you had better know what these things are.

Types of Investments

Stocks
A share of stock represents partial ownership in a company. More shares are issued in private companies and sold to the public to raise money for expansion.

Each shareholder is a partial owner in the company. The expectation is that the company will grow and its value will increase as it becomes more valuable. Some money the company earns may be paid out in the form of dividends to its shareholders.

Stocks are subject to the pressures of the markets, and to other factors that will have an effect on their value. The management team of the company, weather, interest rates, and political upheaval can all contribute to the success or stumbling of a company and there is generally more risk to owning stock than there is to owning…

Bonds

Bonds are securities that pay a particular amount of interest over a period of time. For example, the U.S. government might issue a 10-year bond that pays 2% interest per year and matures on 12/31/2026. Because of its ability to levy taxes, the U.S. government is considered very safe in terms of its ability to repay its debts.

A company can also offer a bond, but it might have to offer a higher rate because its ability to pay interest is based on its business success. Assuming a greater risk pays a higher rate of interest.

Bonds, though, are not completely without risk.

- Default risk. A company that depends on its business to pay interest on its bonds may not make its numbers and be unable to pay.
- Inflation risk. A return on investment of 4% might seem great, but if inflation is running at 6%, you're losing purchasing power.
- Interest rate risk. During the time you own a bond, interest rates may shift up or down and another bond may become more attractive. The bond you hold may not be so easy to sell for what you paid for it.

Thus, like stocks, the value of bonds will fluctuate.

Mutual Funds

Most beginning investors will be best served to begin with an investment in a mutual fund. A mutual fund is at its core a managed portfolio of stocks and/or bonds. Think of a mutual fund as a company that brings together a large group of people and invests their money in one portfolio. Each

investor owns shares of the mutual fund, which represent a portion of its holdings. This is a great way to spread the risk. All your money is not in one single stock or bond, so the various components of risk are reduced.
You don't get voting rights, but you do get dividends and capital appreciation. The value of open-ended mutual funds is set at the close of the market every day.

Exchange Traded Funds (ETFs)
Like a mutual fund, an ETF is a basket of assets, but it's a marketable security that tracks an index, a commodity or bonds. Unlike mutual funds, an ETF trades like a common stock on a stock exchange. ETFs experience price changes throughout the day as they are bought and sold. They typically have higher daily liquidity and lower fees than mutual fund shares, making them an attractive alternative for individual investors.

While there are many more investment asset classifications, these are the basic building blocks of an investment portfolio.

Build your portfolio.
This is a very careful process. If you're doing this yourself, there are many tools available online from Vanguard, Fidelity and other well-known fund companies. If you have engaged a financial planner, you can expect a four-part process, some of which we have already touched on.

Construct a portfolio suited to your needs, goals, time horizon and risk attitude. This is a process that's similar to buying just about anything, but let's use the example of a car. You'll buy a car that reflects your driving habits, your budget and your transportation needs. You might want a Prius, but not if you're planning to haul around a boat.

While everyone's situation is unique, certain factors really matter in creating any investment plan. These factors will include the purpose of the investment, its size, sources and the ultimate uses. You must have a clear picture of where you are going because then you can determine the amount of risk you're willing to assume.

Logically, you need to choose a financial vehicle that will get you to your goal.

Next is allocation. That's choosing the right amount of each asset class to make up your portfolio. Different investment assets have different performance histories. The right allocation will help you to create a portfolio that will weather bad times in the market as well as perform well.

This is where the third part of the process comes in — doing your research. There is plenty of research on how each asset class works together. This is the science of investing. Reviewing historical performance can reveal how different assets work together (diversification). While this can increase your return and decrease your risk, it's important to remember that past performance taken by itself is not an indication of future return.

Don't go on hunches, hope and hype. If you have solid data, you can make precise decisions. If you use academic research, you'll have the right tools you need for the job. Keep in mind what they tell you in financial magazines is often tied to advertising and that guy on the television shouting at you is likely selling himself.

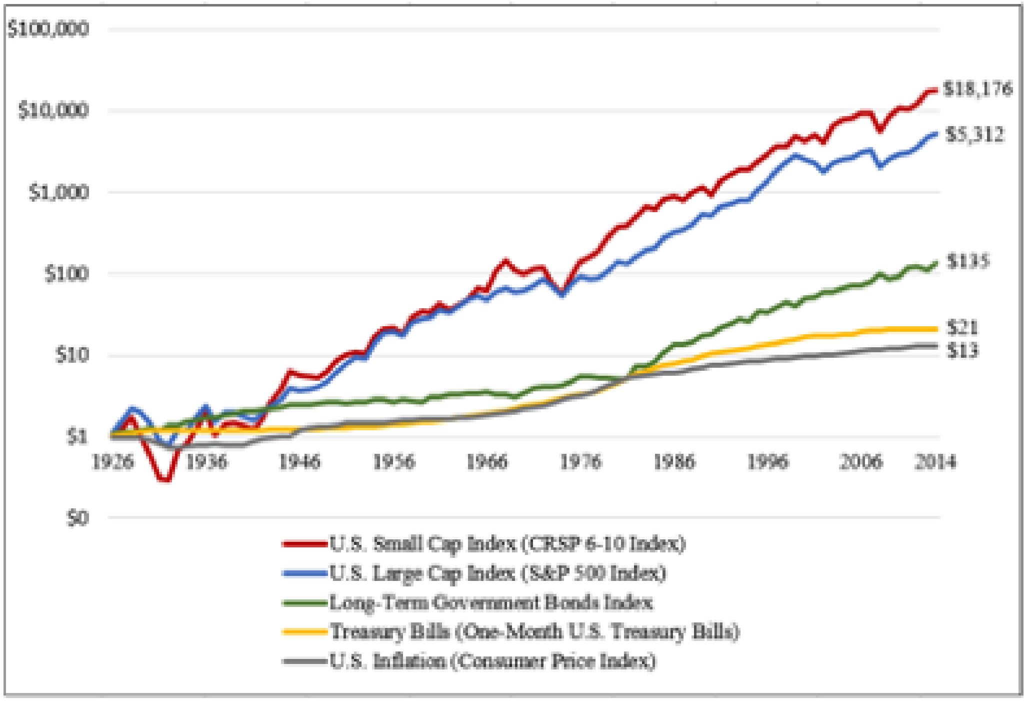
Lastly, when all is said and done, you must have an investment portfolio you can live with. Thrill seekers can afford to take risks and invest in stocks that promise quick returns, but those same stocks may also end up worthless. The more cautious among us may not be able to sleep if the market falls 15% in a day. A much more conservative portfolio is appropriate.

Equities vs. Fixed Income

The beginning of any asset allocation is a choice between equities and fixed income. If you invest in equities, you're investing in long-term growth of companies and the economy as a whole. Fixed income represents obligations of governments and companies. Thus, equities would seem to offer better long-term growth and fixed income more stability with steady income. This choice is a very clear example of a tradeoff between risk and return.

We start with historical performance, but we can't forget this is still not an indication of how any investment will perform in the future.

Look at the graph below. The top two lines represent indices or composites of U.S. equity markets. Taken alone, they perform better historically than those below them, the indices representing the fixed-income securities. We see that one dollar invested in large cap stocks (as represented by the S&P 500 Index) in 1926 would have been worth $5,313 (assuming dividends were reinvested) by the end of 2014, while an investment in small company stocks would have been worth $18,176. By contrast, fixed income would barely keep up with inflation. But, a combination of these asset classes would create an investment portfolio that could suit an investor's needs by having risky and conservative elements at the same time.



Past performance is not indicative of future results. This chart is provided for informational purposes only and should not be relied on when making an investment decision.
Source: Dimensional Fund Advisors, Returns program, as updated through 2014.

What's Available?

U.S. investors have long held U.S. stocks and bonds, usually in the form of retail mutual funds. Today, mutual funds are available for investment classes like commodities (gold, silver, ore, crude oil, agricultural products), real estate, and emerging markets (economies of countries that are developing) — which offer even greater flexibility to an investor's portfolio and a greater opportunity to reduce volatility and risk.

Fixed-Income Investments

As the long-term return figures show, an all-equity portfolio has attractive growth potential, but there is uncertainty about the exact outcome. For this reason, an all-equity portfolio is aggressive. It's suitable for investors who are willing or need to take risks in the pursuit of reward.

If you have a shorter horizon, or are more risk adverse, you need a portfolio that's significantly less aggressive. Therefore, some portion of the portfolio should be in fixed-income instruments. Bonds provide income and help reduce the overall risk in a portfolio. However, because there's a fixed income stream, there's comparatively little upside potential in a bond portfolio. Bond prices can rise and fall with changes in interest rates, but the main source of investment returns from bonds comes from the interest payments they make.

Equity Investments

For equity investments, look for "asset class funds." An asset class fund is a mutual fund designed to broadly represent the market, or some significant segment of the market (such as the stocks of large companies or the stocks of emerging foreign markets). These funds invest in a large number of the stocks of their defined segment of the market to provide returns closely approximating the returns offered by that particular segment. By using asset class funds, you'll lower risk by increasing your diversification while you achieve market segment returns and at the same time minimize your costs. The aim here is for the highest return at least equal to the market's total performance with less volatility.

Asset Allocation

One of the best ways to start the asset allocation in a portfolio is with a foundation of an asset that will avoid any emotional reaction to the ups and downs of the market. A great way to begin is short-term, high-quality corporate and government bonds.

We know these types of bonds present little credit, inflation or interest rate risk. Including them in a portfolio allows you to take more risk in other asset classes with potentially higher returns.

A Little History
Back in the 1980s, academics Gary P. Brinson, L. Randolph Hood and Gilbert L. Beebower published a study based on the review of 82 large pension funds. They were able to conclude it was asset allocation that was the determinant for more than 94% of the returns among those funds. Interestingly, less than 6% of the returns were actually due to market timing or investment selection. That says quite a bit about stock picking, because if your allocation is correct, you are 15 times more likely to achieve your goals and sleep better at night.

Don’t try to figure out who is the best manager; instead figure out what allocation works with your risk tolerance. It’s actually very easy to find out who the top performers are at any point in time — the tricky part is knowing ahead of time!

Also, it’s very rare that top performers repeat their performance. In fact, one-third of the money managers tend to beat the market every year, but unfortunately it's different ones each time.

Don’t be fooled. Annual lists of top managers are usually the top performing managers in whatever happened to be hot at the time. These “hot sectors” ultimately cool, and another sector or manager steps in.

Spend your time on asset allocation. It’s been documented and proven to determine your returns. It simply does not make sense to chase what’s hot. What’s really important is what asset class adds to your return and reduces your risk.

Let’s move on to other areas to consider.

Three other areas are equally as important as risk and return, and interestingly, in each individual asset class by itself, risk and return are not that important. What matters is actually how each asset class works with each other. Let's consider correlation, diversification and probability.

Correlation

Correlation is the mutual relationship between two or more things. In statistics, it's the interdependence of variable quantities. In financial markets, think of it as how different investment assets interact with each other.

Here's a simple example. A low or negative correlation can be explained like this: The more you criticize someone, the less likely they are to be your friend and the higher the negative correlation between the two.

A zero correlation would be if two things are unrelated or random. If the correlation concept were applied to musicians:

- A correlation of -1 is when two parts behave very differently — like the harpist and the tuba player.
- A correlation of +1 is when two parts behave exactly the same — like the first and second violin. `
- A correlation of 0 means what we're studying is moving in a random matter — like someone from the audience who's clapping inappropriately.

Your investments should be assets with a low correlation. While this may seem counterintuitive, in theory, you would want all your assets to increase in value at the same time, right? But, in the real world, that means all your assets would also go down at the same time. I don't think you want that, either.

We’re happy when investments are up, and unhappy when prices fall. We have a tendency to look at our portfolios to think we should sell what is down and buy what is up. But that just ensures you are selling low and buying high. That’s not good at all.

If you find yourself doing that, you lack discipline and fall into the trap of believing what goes up will continue to go up and what’s going down will continue that way. All financial evidence shows that at some point, the opposite will definitely happen. This is the principle of “reversion to the mean” — the theory that prices and returns eventually move back toward their mean or average.

The S&P 500 is a broad average of the U.S. stock market that’s widely used as a benchmark for tracking returns. It has a historical average of close to 10%. That means if the S&P 500 Index had five very good years in a row and averaged over 15%, the reversion to the mean theory would say there’s a high probability the index will start to produce lower returns as the performance numbers return to their historical average.

Therefore, you want to combine assets that have low correlations to each other. Some go up, some go down, but overall, your goal is for a smooth ride with lower volatility. That’s hard to do, but that’s your goal.

Common sense tells us that overall risk in a portfolio isn’t the average risk of each of your investments. Your risk is actually reduced if your investments don’t move up and down at the same rate at the same time.

Diversification

Most investors can’t resist the temptation to gamble or speculate. We all hope for a big return. We listen to the talking heads on TV and we think we have to own the next best thing; diversification is bad. We need a portfolio that's equal parts Apple, Tesla, Amazon, Google, Disney and Facebook.

Simply put, diversification is spreading your investments between the numerous different asset classes. This spreads the risk of holding any one component that may go down or up in any given period. Though this may seem to be a guarantee of mediocrity in your portfolio, diversity may also be a way to ensure you will never lose everything. And it requires discipline because it's very difficult to resist the temptation to gamble, hoping for a killing in the market.

A professional investment manager can outperform the market by having a small amount of stock and betting on superior performance, but it takes just one loser to torpedo the entire portfolio, especially if the bet on it was a big one. You know the old adage, "don't put all your eggs in the same basket." It's especially true here.

Back in 2008, diversification proved it wasn't completely failsafe. All asset classes fell precipitously except for U.S. government bonds — all at the same time — so diversification didn't work the way we wanted it to. There was mass panic by investors and every asset class became correlated and acted the same way. They all went down.

While we will like to eliminate losses altogether, diversification will only help lessen them. You may hear analysts point to 2008 and say the diversification doesn't work, but because it didn't work once doesn't mean it shouldn't be used. There are just too many studies that prove diversification is critical. Look at the former employees of companies like Enron, WorldCom, Adelphia and hundreds of other high-tech companies who lost all their savings when the bubble burst in high-tech from 2000 to 2002.

It’s also possible to point to periods when the stock market by itself had little or no gain for long periods of time. A portfolio of stocks alone made up of the S&P 500 from 1929 to 1942 (13years), from 1966 to 1982 (16 years) and from 1997 to 2009 (12years) was essentially a break-even investment.

Mix in bonds, real estate, commodities, and foreign stocks and your return would have improved, especially in the 2000s. Emerging markets were up over 400%, international stocks almost 200% and real estate 176%.

Diversification works. Because we can’t predict which market sector is going to be the best investment in any given period, diversification is important. Stocks move in unpredictable, unknowable ways in response to events, both good and bad. Regulations, technological breakthroughs, management, fraud, geopolitics and even weather, just to mention a few, are factors that affect the prices of stocks.

Nobel Prize-winning economist Paul Samuelson proclaimed:
“Because we cannot predict, we diversify.”

Probability
If we consider the probability of success in investing, we find historically, approximately 70% of the time, the stock market had a positive return on a year-to-year basis. Remember, we are speaking about the stock market as a whole, but the following odds are interesting to consider.

- Odds of winning the Powerball jackpot – 1 in 175,223,510
- Odds of being dealt a royal flush – 1 in 649,740
- Odds of being struck and killed by lightning – 1 in 174,426
- Odds of finding a pearl in an oyster – 1 in 12,000
- Odds of dying in an airplane crash – 1 in 9,737

- Odds of dying in a car accident – 1 in 113
- Odds of being audited by the IRS – 1 in 100
- Odds that an investment in stocks will make money in any given year – 7 in 10

When you consider this, as least a portion of your investment portfolio should be based on probability. In blackjack, where the payoff is a set amount, if the odds are with you, the best strategy is to increase the bet. Unfortunately, we tend to make decisions based on emotions, not history. We're always trying to make decisions using information about an unknowable future based on what we hear currently rather than on what history indicates as probable.

But you have to be in it. Moving in and out of the market emotionally, or on unreliable news, is a sure way to miss out on gains.

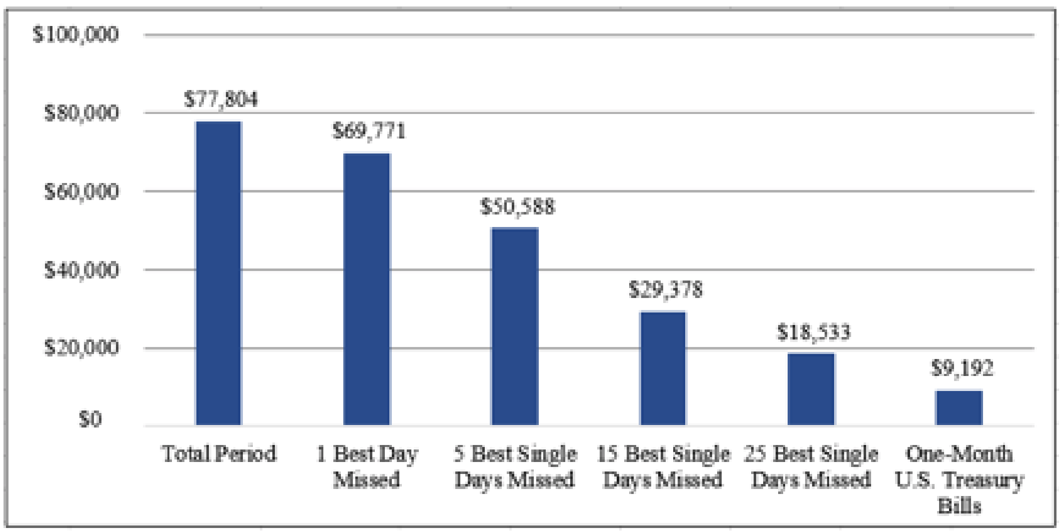
The Case for Staying Invested

Advisors are often asked when the right time is to invest in the stock market. If your goal is long term, the answer is today. Rarely should short-term investors put money in the stock market. We cannot predict the movements of the market now, next month or next year. If we could, the markets would already reflect future movement and it would be impossible to profit.

There is always a danger the market will go down tomorrow, but it's a much better practice to begin today. As this chart shows, long-term gain in investment in the stock market comes from sharp upward bursts. One thousand dollars invested January 1, 1970 in the S&P 500 Index would have grown to $77,804 by December 31, 2013.

But, just missing a few of the best days during that time would have resulted in much lower returns than staying invested throughout the period. For example, missing the five best days during that period would have meant the $1,000 investment grew to only $50,588. And missing out on the 25 best days would have meant the $1,000 investment grew to just $18,533 by the end of 2013. Smart investors stay invested for the long term.

Performance of the S&P 500 Index, 1970 – 2013 Growth of $1,000 Annualized Compound Return



Past performance is not indicative of future results. This chart is provided for informational purposes only and should not be relied on when making an investment decision.

Compound Growth – Something of a Miracle

Compound growth operates on a very simple principle. Leave your money alone, reinvest the returns and you'll be rewarded. Both your original investment and everything you earn will be working for you. The longer you can be patient, the more you'll be likely to accumulate more. Let's say you can put $100,000 into an investment that earns 8% every year on a consistent basis. The table below shows how the compounding process works.

Year	Starting Amount	Earnings	Ending Amount
1	$100,000	$8,000	$108,000
2	$108,000	$8,640	$116,640
3	$116,640	$9,331	$125,971
10	$199,900	$15,992	$215,892
20	$431,570	$34,525	$466,095

At 8%, your investment would grow to more than 4½ times its original size in 20 years. To see the effect of compounding, notice you would earn $115,892 in returns in the first 10 years, but even more in the second 10 years — $250,203. (note: this is just an illustration of the effect of compound returns, unfortunately investments don't produce consistent predictable returns like this illustration)

You may not be aware that time can also help reduce investment risk, especially if your portfolio is properly diversified. You may worry about the ups and downs of the market, but over a long investment horizon, there are still thousands of market days when you'll be investing. Over the years to come, the ups and downs in the market are cancelled out, and you take advantage of broad market trends.

To Summarize

- Investing is part logic, art, science, probabilities and risk.
- Asset allocation is much more important than trying to figure out who's the latest "hot" fund manager.
- If you diversify, you'll reduce volatility.
- Reducing volatility maximizes the chances you will stay invested during periods of market turmoil.
- Be strategic by placing the law of probabilities in your favor.
- Develop a portfolio that contains uncorrelated assets so all your investments don't move in the same direction at the same time.

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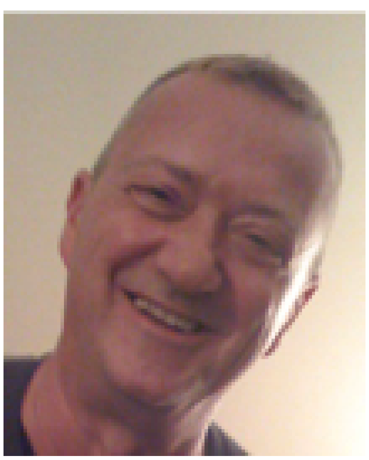

Kermit Johns is a compassionate financial planner offering his knowledge to couples and individuals for more than 30 years. He uses his extensive personal and professional experience to address the financial goals and issues for all, in particular in investing and tax planning. While previously serving as a managing director of his own registered investment advisory, and as a dedicated member of not-for-profit agencies and foundations, he is currently a financial planner and partner at WorthPointe LLC, based in Austin.

Kermit lives with his husband and constant companion of 43 years in Austin. His passions are his dog and cooking.

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Chapter 2: Tax Planning

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For many, if not all of us, the word “taxes” makes us cringe. Whether it be income taxes, state taxes, franchise taxes, property taxes or even sales taxes, each takes a chunk of our hard-earned money out of our pockets. No taxation without representation implies that our tax dollars are all going toward providing us with some sort of benefit, but perhaps that’s a topic best left for another article!

Since 1861, when Congress collected income taxes to fund its efforts in the American Civil War, to 1913, when the 16th Amendment provided Congress with the ability to levy an income tax without the requirement to apportion among states, income taxes have been part of daily life.

Filing Status

Income tax returns allow individuals to file as either Single, Married Filing Jointly, Married Filing Separately or Head of Household (with a qualifying child). Your marital status for filing purposes is based on your status on the last day of each tax year, so if you are single on December 31, but marry on January 2 before filing your income tax return for the preceding year, your status for the preceding year is Single, even though you are married at the time you file your tax return. Likewise, if you’re married on December 31, but divorce on January 2, you’re still considered married even though you may be divorced at the time you file your tax return for the preceding year.

A little-understood area for tax filing is that there are nuances that come into play for separated individuals who may not yet be legally divorced. If you have received an interlocutory (provisional) decree of divorce, you're still considered to be married.

Similarly, if you're not yet legally married, you may be considered married if you live together under a common-law marriage that is recognized either in the state where you presently reside, or the state where the common-law marriage began. If you're married and living apart, you must still file as Married Filing Jointly or Married Filing Separately.

Community Property States

Community property states (AZ, CA, ID, LA, NV, NM, TX, WA and WI) bring their own set of circumstances. Under community property rules, community income must be reported on both taxpayers' tax returns. So, if you have earned wages and your spouse has earned wages, under community property rules, you should report half of your wages and half of your spouse's wages. This also applies to self-employment income that either of you earn during marriage, and various other sources of income.

To file Married Filing Separately and avoid picking up part of your spouse's income and expenses, all income you earn from separate property and all expenses you incur and wish to deduct separately must generally go into and come out of your own individual bank account, respectively.

Form 8958 must be filed with your tax return to indicate what portion of income and expense is being picked up by each respective spouse. You are required to pick up all your separate property income, e.g., a rental property you owned prior to marriage generating income goes into your own separate account, as well as 50% of community property income, e.g., income from a rental property you owned prior to marriage generating income that's deposited into a community bank account (one both spouses have access to). These rules apply equally to registered domestic partners (RDPs) as they do to married couples.

Certain exceptions and exemptions apply, and rules regarding community property and separate property vary from state to state, including when items start and stop being considered community property. For example, if you're married in a community property state and you live apart from your spouse for the entire year, you don't file a joint tax return, **and** you don't transfer any of the community income between you, you can generally each treat your own earned income as separate income. For more detailed information, see IRS Publication 555.

DOMA Impact

For same-sex married couples, things are much simpler now after the ruling in 2013 in the matter of United States v. Windsor, which challenged the constitutionality of the Defense of Marriage Act (DOMA).

DOMA was signed into law by President Clinton in September 1996, defining a spouse for federal purposes, in terms of marriage, as a person of the opposite sex. The "need" for DOMA arose after Hawaii's Supreme Court determined the state must show a compelling reason to prohibit same-sex marriage. This came after a series of events stretching back to the inheritance and death benefit concerns raised by same-sex couples during the AIDS epidemic of the 1980s, and Denmark's ruling in 1989 that same-sex couples could be granted the same rights as heterosexual couples by entering into a registered partnership. Fearing Hawaii's ruling could make same-sex marriages legal, and other states may follow suit, DOMA came into being.

Under DOMA, complexities existed as states began to slowly recognize same-sex marriages — first Massachusetts in 2003, then Connecticut (and California briefly) in 2008, followed by various other states not long after. Because the federal government didn't recognize same-sex marriage, this meant married same-sex couples could be considered married in their state of residence, but for purposes of filing their federal tax return, they were required to file as Single. Same-sex couples in community property states (California, for example) were left with a dilemma. Under state rules, they had community income as they were considered married; however, for federal tax purposes, the IRS guidance relating to how community income should be reported led to confusion and uncertainty for same-sex married couples.

A number of cases challenged the constitutionality of DOMA in federal court, but it wasn't until the matter of United States v. Windsor in 2010 (a ruling that declared the federal definition of "spouse" and "marriage" to include only opposite-sex couples unconstitutional) and Obergefell v. Hodges in 2015 (a ruling that all states must recognize a same-sex couple's right to marry as a fundamental right under the Due Process and Equal Protection clause of the 14th Amendment) that Sections 3 and 2 of DOMA, respectively, were struck down by the Supreme Court.

Subsequent to the 2010 Windsor ruling, the Internal Revenue Service (IRS) issued Notice 2013-72 stating that it and the Department of the Treasury would recognize same-sex married couples as being considered married for federal tax purposes regardless of the state in which the married couple resided. The notice also allowed, but didn't require, same-sex couples to file amended tax returns still open under statute going back to 2010. Notice 2013-61, issued a month later in September 2013, provided guidance to employers and employees regarding the ability for same-sex married couples to claim refunds of overpaid taxes.

After Sections 3 and 2 of DOMA were struck down, and same-sex married couples were considered married for federal tax purposes, tax return filing was somewhat simplified.

Tax Considerations Before and After Marriage

Before getting married — remembering your status for federal tax return filing depends on your marriage status on December 31 you should determine if filing as Single and postponing marriage until early the following year makes sense. An example might be if one spouse earns a significant amount in the year of marriage, or has a windfall. Since a Married Filing Joint tax return generally makes both spouses liable for any tax debt, the spouse with the smaller amount of income may prefer to have the spouse with the windfall file Single and be solely liable for any tax obligation. Holding off on marriage until the following year would accomplish this.

On the other hand, if one spouse has a significant amount of income and is in a high tax bracket, while the other spouse is in a lower tax bracket, filing Married Filing Joint and combining incomes may reduce the amount of the first spouse's taxes that are subject to tax at the higher tax brackets, thereby reducing the combined tax paid by the household. In this case, marrying prior to the end of the tax year would make sense. If you have questions about the consequences of either scenario, you should consult your tax advisor and ask if he or she can prepare a projection under both scenarios (each filing Single vs. filing Married Filing Joint).

Once you're married, you have the option of filing Married Filing Separately or Married Filing Joint. Overwhelmingly, the best choice is normally to file as Married Filing Joint. When you file Married Filing Separately, there are certain deductions and credits the IRS will disallow, including student loan interest, child tax and dependent care credits, tuition credits, earned income credits, and adoption credits.

Keep in mind that as discussed above, there are other complexities to consider if you file Married Filing Separately and live in a community property state. Although your filing status may be Married Filing Separately, that doesn't necessarily mean you'll only report your income and expenses. You may be required to report half your spouse's income and expenses as well. Additionally, if one spouse itemizes deductions (mortgage interest, property taxes, charitable contributions, etc.), the other spouse must also use the itemized deduction method vs. taking the standard deduction.

Married couples may sometimes each have their own businesses. Although they're married and live in the same household, they feel compelled to file separately so they can each figure out how much tax they owe related to their own business income. For this reason, and often this reason alone, they'll choose to file Married Filing Separately.

It can sometimes be a challenge to convince this couple they should really file Married Filing Joint for the overall tax benefit of the household. When your tax return is prepared, your tax advisor should still be able to provide you with either a side-by-side comparison of Married Filing Separately vs. Married Filing Joint, or calculate what portion of the tax is owed by each spouse based on each spouse's income, or both. This is a win-win, because not only do you save taxes overall as a couple, but you also cut down your cost of tax preparation as there is only one tax return to prepare. Additionally, you ensure the ability to take advantage of credits and deductions that may not have been available to you if you filed Married Filing Separately, and you can still determine what portion of the overall **lower** tax bill is allocable to each spouse.

What To Do With Your Home

A large asset that comes into play oftentimes is a home. When two individuals get married, each may have their own residence. After marriage, there is normally no need to hold onto two separate residences; however, there are some tax considerations that develop.

Internal Revenue Code Section 121 allows for an exclusion of gain on the sale of a principal residence if the taxpayer has lived in that home as his/her principal residence for at least two of the last five years prior to sale. The time living in the property does not need to be two consecutive years, but must total two years overall. Up to $250,000 of gain can be excluded per taxpayer, so a married couple can exclude up to $500,000. One of the considerations when getting married, if there are two houses in the equation, is not only which house you'll both occupy after marriage, but what the tax consequences are of selling either of the two houses.

Since the requirement is you must live in the home for two of the last five years prior to sale, if you've already lived in the house as your principal residence for at least two years, you have up to another three years from the date you move out to sell the home and still take advantage of the $250,000 gain exclusion.

A word of caution, however, if you decide to rent out one of the homes, because you're then converting it from a principal residence to business property. This can affect the amount of gain you can subsequently exclude upon sale. If you convert your residence to rental property, your "basis" in the home (the cost of the home you can begin to depreciate) is the lower of your original cost basis or the fair market value on the date of conversion, less the cost of land. You depreciate this amount over a period of 27½ years.

For example, if you purchase your property for $200,000 and move into your new spouse’s house after living in your home for at least two years as your principal residence, then convert your property to a rental when its fair market value is $230,000, your basis for depreciation would be $200,000 (less the cost of land). For each full year the property is rented or held out for rental, you can take a depreciation deduction equal to $200,000 less cost of land, divided by 27.5, which will offset the rental income received. A benefit here is that depreciation is not an “out-of-pocket” expense, so you’re able to take a deduction without actually paying money to incur the expense.

When the property is later sold, you may need to recapture depreciation deductions previously taken and report those amounts at a higher 25% rate (under current law in place as of this writing) vs. the lower capital gains rates. Figuring the gain that’s eligible for exclusion, the gain subject to capital gains rates and the portion of gain that may be subject to the higher 25% rate can be a complex calculation. You should contact your tax advisor if you have any questions related to this calculation, or the potential tax effect of selling a principal residence as opposed to converting it to rental property.

Social Security Benefits

After Section 3 of DOMA was ruled unconstitutional, same-sex married couples became eligible for the same Social Security benefits opposite-sex married couples could apply for. This includes the ability to receive survivor benefits.

Social Security income is considered taxable income, but only up to a maximum of 85% of benefits are subject to income tax. Determining the amount that’s subject to tax is based on a calculation that takes your Adjusted Gross Income (wages, interest, dividends, capital gains, business net income, pensions, IRA distributions, and certain deductions allowable against gross income, etc.) and adds non-taxable income and half of your Social Security benefits to that amount. The resulting number determines what percentage of your Social Security benefits are taxable.

If your income is in excess of $44,000 on a Married Filing Joint tax return, your benefits will be taxable up to 85%. If under $44,000, only up to 50% may be taxable ($34,000 if you file Single), and if under $32,000 ($25,000 if filing Single), none of the benefits will be taxable.

Keep in mind that Single is not the same as Married Filing Separately.

Employee Stock Options

Options from an employer are becoming more popular nowadays. These could be non-qualified stock options (NQSOs), restricted stock, incentive stock options (ISOs) or employee stock purchase plan (ESPP) arrangements. Taxation of options is not for the faint of heart, and it's strongly advisable that you contact a qualified tax advisor familiar with the taxation of options versus. handling it yourself.

In 2011, the IRS began to change the manner in which stockbrokers must report cost basis information for stocks. Brokers now report on your Form 1099-B (reflecting information related to stock sales) the cost basis for stocks as either covered or non-covered. "Covered" generally means the cost you paid for the stock is reported to IRS, whereas "non-covered" generally means the information may not have been reported to IRS.

Regarding employee options, brokers don't report the information uniformly. Some brokers may leave the cost basis at zero, others may report only the amount paid for the stock at the option price, while others may report the amount paid for the option in addition to the "bargain element” that may have been picked up on your W-2 as additional compensation. The bargain element is generally the amount of reduced cost you pay for purchasing the stock. Failing to properly report your basis correctly may lead to overpaying taxes.

For example, if you’re granted 100 options to acquire shares of XYZ Corp., typically there is no income pickup at the date of grant (although an 83(b) election may be available). When your options vest, normally after a period of service, you then have the ability to exercise them. When an NQSO is exercised, you’ll normally pick up ordinary compensation income on your W-2 for the difference between the stock price at exercise and the price at date of grant. (For ISOs, there is no ordinary income pickup at date of exercise, but you may have income for Alternative Minimum Tax [AMT] purposes.)

When you exercise your options, you acquire shares. Later, when you sell the shares, you may have capital gain or loss, and this may be taxable at either short- or long-term rates. However, if your Form 1099-B doesn’t accurately reflect the total price you paid for the shares (money paid plus the bargain element picked up on your W-2), you may report too low of a cost basis and therefore overstate your gain. This leads to you essentially paying tax on a portion of the gain twice. Similarly, if you don’t take AMT cost basis into consideration, you may pay tax on the ordinary gain on sale when you may have already paid AMT on a portion of that gain, again essentially paying tax on a portion of the gain twice.

As smart as some of the tax preparation software programs are nowadays, there’s no substitute for a qualified tax advisor who can look at your tax return and tell if something doesn’t look right.

Estate and Gift Taxes

Estate and gift taxes are currently unified. For 2017, a total of $5.49 million per individual can be gifted during an individual's lifetime, or can be left to heirs through the taxpayer's estate. For most people, this amount is more than sufficient to allow for the passage of accumulated wealth tax-free to others; however, there are considerations here, too.

If you're married and your spouse passes, there are opportunities for planning, but you should generally have a plan in place well before you or your spouse dies, especially if you have significant accumulated wealth. See Elizabeth Brenner's section about estate planning in Chapter 6.

Business Taxes and Entity Choices

Business taxes carry their own set of rules and regulations. A business can be as simple as a "doing business as" model where typically no entity is formed at the state level. The business owner simply reports his or her income and expenses on Schedule C on the Form 1040 personal income tax return.

Limited Liability Companies (LLCs) are a common entity structure that can provide for liability protection. This can be especially important if there's the potential for liability exposure in your business — as it can form a shell around the business and oftentimes protect your other personal assets from attack in a lawsuit. For information related to the legal ramifications, you should consult with an attorney.

It should be understood that the LLC is a state type of entity. From a federal standpoint, the IRS doesn't generally recognize an LLC as a federal entity type, but how you handle the LLC determines what type of entity you'll file as for federal tax purposes. Setting up the LLC at the state level with only one owner/member is generally going to be disregarded for federal tax purposes. This means the IRS doesn't even acknowledge the existence of a separate business entity. As a single-member LLC, you file a Schedule C on your Form 1040 personal income tax return similar to the reporting requirement for a "doing business as" entity.

If the LLC has more than one owner/member, then by default, the entity is considered a partnership for federal tax reporting purposes. Keep in mind the LLC is still a state type of entity — but with more than one member, you'll file a partnership tax return for federal tax purposes, by default. Partnerships can be great entity types, as they can allow for wide discretion in determining how income and expenses should be divided between partners. There's no limit to how many partners a partnership can have, and foreign partners are allowed, although there are withholding requirements and other considerations if you have a foreign partner.

The LLC (again, a state type of entity) can elect to be treated for federal purposes as an entity taxable under Subchapter S of the Internal Revenue Code, more commonly referred to as an "S Corp." An S Corp can have only one shareholder or can have as many as 100 shareholders; however, S Corps cannot have foreign shareholders and cannot have different classes of stock. Therefore, an S Corp that has three shareholders who each own 1/3 of the company must ensure contributions and distributions are in the same ratio as ownership. Failing to do so implies there are different classes of stock, which can "bust" the S election and cause the entity to revert to a Subchapter C Corp.

S Corps are popular because they can limit the amount of income subject to self-employment taxes. Whereas a single-member LLC or partnership will generally have all income subject to self-employment taxes (if the partners are actively participating in the partnership), S Corps provide for the ability to pay wages to shareholders, then take remaining profits and distribute them to shareholders free from self-employment taxes. As a hybrid between a partnership and a C Corp, S Corps are seen as having the best of both worlds — they're considered a flow-through entity as partnerships are, but they also have the ability to pay their owners a salary, make distributions and issue shares, as C Corps can do.

The IRS obviously knows there's an incentive to pay shareholders a wage of as little as possible to limit the earnings subject to employment taxes, so there's therefore a requirement that wages paid to shareholders must be "reasonable." The amount paid should be the amount the corporation would pay another unrelated person to come in and do a job similar to that of the shareholder. So, if employees are earning $50,000 but the president of the corporation only earns $20,000, the IRS could challenge those wages as being considered reasonable. In doing so, it can reclassify distributions as wages. Since the IRS has up to three years to do so, there can be significant tax, penalty and interest consequences to such an adjustment. It's therefore advisable to ensure shareholders receive a reasonable wage that's documented as being reasonable, e.g., showing similar wage amounts are paid to a person in the shareholder's position per trade magazines and other publications.

Tax Reform

The tax environment is ever-changing, most especially now with a new administration at the helm. At the time of this writing, tax reform is very much in the news. There have been discussions regarding lower corporate tax rates, which may make C Corps a more attractive entity type. Generally, C Corps were not favorable for smaller businesses, as they had one income tax assessed at the entity level, up to 35% with a portion potentially subject to 38% or 39% rates, and another assessed at the individual level when corporate profits were paid out as dividends to shareholders.

Entities such as partnerships and S Corps “flow through” the earnings to the individual partners or shareholders, so profits from these entities are taxed at the individual’s personal income tax rates, currently up to 39.6% with the possibility of an additional 3.8% net investment income tax. Current proposals are to provide a rate as low as 15% for partnerships and S Corps, allowing these entities to be taxed at the entity level vs. automatically flowing the income through to the individual owners. While intended to keep profits in the business and allow businesses to expand, this could lead to employees forming LLCs and running income through their LLC at 15% vs. being taxed through a W-2 as an employee at ordinary tax rates of up to 39.6%. Recognizing this, the administration is looking for ways to even the playing field, perhaps providing for a tax similar to the dividend tax C Corps are currently subject to when owners eventually pull earnings from their businesses.

Interestingly, while corporations are currently subject to taxation of worldwide profits, the current administration may change to a territorial system of taxation, subjecting corporations only to earnings from business within the U.S. A one-time repatriation tax for earnings currently offshore has also been proposed.

Also as part of the current tax reform landscape is a plan to reduce the current seven tax brackets down to three, providing for tax rates at 10%, 25% and 33%. Where the income cutoff for these new brackets would be set is yet to be determined.

In an effort to simplify tax reporting, in addition to reducing the number of tax brackets, the standard deduction is projected to increase from the current 2017 amount of $6,350 for Single taxpayers to $15,000 (and from $12,700 for Married Filing Joint taxpayers to $30,000). Doing so could mean fewer taxpayers would need to itemize their deductions. When you file your tax return, you normally have an option to choose the standard deduction or itemize your deductions, whichever provides you with the best tax outcome. Itemizing deductions means including items such as mortgage interest, property taxes, state and local taxes, medical expenses above the limit, charitable contributions, and other miscellaneous deductions.

Regarding itemized deductions, part of the current plan is to eliminate the state and local tax deduction in addition to capping itemized deductions at $100,000 for Single filers and $200,000 for Married Filing Joint filers. Eliminating the state and local tax deduction could prove costly for residents of states that charge high state taxes, such as California, since residents in those states may pay more taxes at the federal level without this deduction.

Mentioned above, another item on the cutting block is the elimination of the Alternative Minimum Tax (AMT). This tax is aimed at reducing some of the tax benefits higher income individuals can deduct. Known as “preference items,” the AMT calculation takes a taxpayer’s taxable income and adds back certain items that are deductible for calculating taxes owed for regular tax purposes, including property taxes, regular depreciation, and income from the exercise of ISOs, to name a few. This new AMT income amount is then subject to tax at the AMT rates of 26% and 28%, with an exemption from AMT income of $54,300 for Singles and $84,500 for Married Filing Joint filers (2017 numbers). If the AMT is higher than the regular tax calculation, the difference is added to regular tax, increasing total tax to the AMT calculated amount. Credits may be available in future years to recapture some of the AMT paid.

Capital gains tax rates of 0%, 15% and 20% are projected to remain relatively unchanged under the administration's plans, but the 3.8% net investment income tax, instituted as part of the Affordable Care Act, may be eliminated.

Details of these new proposals are still sketchy, as the administration continues to work through the various nuances and implications of instituting such a wide and varied reform plan. However, one thing is for certain: the reforms will most definitely provide an opportunity for tax planning.

Iain A. Howe, CPA
Owner/Certified Public Accountant, Iain Howe, CPA & Associates, PLLC

Iain A. Howe is a Certified Public Accountant with the firm Iain Howe, CPA & Associates, PLLC. He graduated from the University of Texas at Austin with a masters in professional accounting, and has been practicing as a CPA for over 15 years. He has experience working in both the corporate tax world (Temple-Inland, Inc. and Freescale Semiconductor, Inc.) as well as in public accounting with firms in the Austin area. In 2015, Iain started his own tax preparation and business consulting firm and brings a wealth of knowledge to his clients in a relaxed and amiable manner.

Iain's clients include high net worth individuals, partnerships, C Corps, S Corps, trusts and sole-proprietor businesses. His firm also prepares tax returns for a number of international clients — U.S. citizens living abroad and citizens/residents within the U.S. with income from international sources.

Over the years, Iain has authored articles and blogs for various magazines and websites, and keeps in tune with the ever-changing regulatory tax landscape.

Iain is an avid cyclist, except during tax season, when he is a full-time chair sitter and computer screen starer-atter!

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Chapter 3: Real Estate Purchases

Doug Jacobs & Jeff Mikeska, Owners
Jacobs | Mikeska Realtors

For most couples, buying a home is the largest single financial investment they will make. Choosing a real estate professional who's knowledgeable and competent is a key factor to the success in navigating all that's involved in a real estate transaction. Be aware that just because a real estate agent markets to the gay community or is linked from a gay and lesbian website doesn't mean he or she is a competent real estate professional. On this same note, just because a Realtor is gay or lesbian doesn't always mean they're knowledgeable about LGBT issues, legal or otherwise. They don't teach this stuff in real estate school.

Since the Obergefell ruling legalizing same-sex marriage, we've seen changes in how a couple can take ownership and protect each other. Married same-sex couples are now treated the same as any married couple when it comes to spousal survivorship upon the death of a spouse. We still need to contend with couples who have chosen to live as a couple but not get married.

In the case of non-married couples, the best course of action is to secure a Joint Tenancy with Right of Survivorship Warranty Deed at the time of closing on a property. JTWROS WD is one version of co-tenancy that gives co-owners the right of survivorship. This means if one owner of the property dies, his ownership stake will pass to the surviving owner(s). This will create the contractual and legal documentation that will provide you with the same protections granted to married couples. Taking title any other way will require probate upon one of the partner's deaths and may result in the deceased partner's heirs by law becoming owners of the property along with the surviving spouse. We've all heard heart-wrenching horror stories about the outcome when this happens.

Deciding to make a home purchase is the easy part. However, there are many aspects to a home purchase you should consider.

Setting a Budget

Smart buyers get pre-qualified by a reliable mortgage lender as the first step. This will help you determine how much you can afford and how much you're comfortable paying every month without being "house poor."Take into account the extra costs of homeownership, such as taxes, insurance, utilities, annual repairs and general upkeep.

Having a clear understanding of how much cash you must have to make a home purchase is part of the budgeting process. There are buyer closing costs, loan fees, prepaid expenses for insurance and taxes, inspections, and other out-of-pocket expenses that should be considered as well.

Identifying Your Wants vs. Needs

Location is usually a significant consideration due to commute times to work — or you may want to be close to downtown where all the action is or in a more suburban area. Many LGBT buyers seek to be in or near "gayborhoods," but these don't exist in all metropolitan cities. Austin doesn't have one. There's so much diversity in LGBT lifestyles that assimilation is occurring in most areas. Many times you may need to compromise on wants such as hardwood floors and stainless appliances versus a need for a certain school district or large yard. Your real estate professional can help you balance your expectations according to the market.

As a couple thinking about making a real estate purchase, it's very important to understand most people have their own individual desires of what they'll like in a home. Sometimes each half of a couple will have different ideas. Sit down and make independent lists; then compare your notes and make your decision through compromise. You don't want to get in front of your realtor while looking at homes and discover the two of you have very different ideas of what each of you want. Believe us, we've had this happen many times — and they want our opinion about the home. If it relates to price, location, condition or layout, we'll give our honest assessment based on looking at from an investment perspective. Otherwise, our standard answer is, "I'm not buying this home, and I won't be living in this home, so this is a decision the two of you will need make."

Be Prepared to Make Decisions Quickly

In many areas, homes don't stay on the market very long if you're in a seller's market. Buyers shouldn't hesitate when they find a home that matches their particular needs and budget. Submit offers quickly. Dragging your feet can mean you end up in a multiple offer situation or missing out on the property altogether. A competent Realtor who knows how to write an offer that will be considered by a listing agent is key. It's a tough balancing act in a seller's market.

Selling a property can be just as daunting a task. Selling a home without an agent can be dangerous in unsuspecting ways. Navigating the legal documents such as contracts, title issues, surveys and disclosures are prime for a lawsuit if not done properly. Pricing a home properly is more critical than ever. Depending on what the typical number of days on the market is for a particular area, buyers may see a home on the market for as little as 20 days appear tainted and undesirable, perhaps due to a seller being overzealous and unrealistic in pricing. What will happen is there will be no showings of the home and no offers. Many times, the end result is actually getting much less for the home than its true market value.

We experienced this recently as our clients didn't take our expert advice, wishing to "try" the market at a much higher price suggested by friends and neighbors. We had an agreement to lower the price at a predetermined date if the home wasn't getting showings or had no offers. They continued to listen to people outside the industry and keep it on the market at an inflated price above what the market was saying. The property became tainted as buyers were fearful something was wrong with the home; if no one else wanted it, why would they? The home eventually sold at a much lower price point than the value our original market analysis and market data told us. Lowering to a price point that makes it a bargain to a buyer helps remove the negativity. However, it's the seller who takes a financial loss. This is all too common in the industry. Don't let friends and neighbors tell you your home's value unless they're going to buy it. We all know our own property is golden. But even gold has market value.

A knowledgeable Realtor will also help make good decisions on how to prepare your home for sale. Deferred maintenance and repairs may need to be completed. Minor updates, de-cluttering, landscaping and staging may be in order. The obvious strategy is to get the best bang for your buck to attract buyers with great offers.
Creative marketing strategies are a must. More than ever, Texas realtors familiar with their markets are the best resources for sellers wanting to maximize their bottom line in the shortest amount of time.

Real estate is an investment. You want someone who can help you look at the historical and possible future of your investment. Area growth, shopping, schools, leisure activities near and far, neighborhood stability, and roads are just a few of the items that may affect your investment.

Currently, we're seeing a rapid increase in home values in most areas of Texas, but it hasn't always been this rosy.

When the nation as a whole experienced the financial meltdown starting in 2006 largely due to bad debt and mortgage loans, and the housing price bubble burst, we saw home prices crash in most areas of the U.S., resulting in a significant number of foreclosures. Many people lost their homes and thus their investment. For a large portion, this was their entire nest egg. Much of Texas, especially Austin, did not feel the entire effects of the mortgage crisis because of a stable local economy. Although you almost never have a guaranteed positive return on a real estate investment, you can research and discuss the historical facts and current local economy with indicators that can help in your financial planning regarding real estate.

Put your trust in your Realtor. You'll be working together to achieve your real estate goal. You'll want your Realtor to be competent and professional, with the highest level of industry and market knowledge. Don't settle for a good Realtor. Seek out an industry professional with an excellent reputation and extraordinary client service. Ask your friends, co-workers or family for a referral. After 21 years in the real estate industry, 80 percent of our business comes from referrals or repeat business from very satisfied clients and friends.

Make it an enjoyable and memorable experience.

Doug Jacobs & Jeff Mikeska, owners
Jacobs & Mikeska Realtors

Brokers Doug Jacobs and Jeff Mikeska entered into the partnership of Jacobs & Mikeska Realtors in 1996. Not only are they partners in real estate, they are life partners since 1992. Doug is a native "Austinite" with an accounting degree from St. Edward's University in Austin. Jeff has lived there since 1986 and also attended St. Edward's, receiving a degree in marketing.

Doug and Jeff work with clients buying, selling and investing in real estate. They at one time had a personal real estate portfolio consisting of 10 properties, giving them firsthand knowledge in real estate investments.

Some of their designations and honors include Certified Negotiation Expert, Certified Luxury Home Marketing Specialist, Certified Relocation Specialist, Five Star Real Estate Professionals, WHO's WHO World Wide of Real Estate Professionals, NAGLRP (National Association of Gay and Lesbian Real Estate Professionals), TAR (Texas Association of Realtors), NAR (National Association of Realtors), ABOR (Austin Association of Realtors), and AGLCC (Austin Gay & Lesbian Chamber of Commerce).

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Postscript

Kermit Johns, RFC®

I have a friend, Carter, who is breaking up with his partner. They live together in a rented apartment but Carter can't move out. Why? All his finances are in his company's 401(k) plan and in a vacation rental with a large mortgage he bought with his partner. An average person would say Carter is rich, but unfortunately his wealth is untouchable. He doesn't have the cash he needs to move, let alone a security deposit for his own apartment, at least not until they sell the rental property.

Was he lured into an investment in real estate unwisely and at the wrong time in his investing life? I would say so. What might they have done differently?

Savings Plan Hierarchy

Carter should have built cash and investment accounts first. Here's a good order to a savings plan hierarchy:

- Cash reserves (to fund your Emergency Plan)
- Employer-sponsored retirement plans, such as a 401(k), 403(b), or SEP IRA
- Investments like mutual funds that can be sold to cover expenses
- Privately held income-producing real estate

Cash Reserves

This is the most critical fact of any savings plan. Emergency cash is for when stuff goes wrong and it always does — stuff like a job change or disability, or in this case a sudden breakup and a need for cash.

Employer-Sponsored Retirement Plans

Carter is doing the right thing by maxing out his company’s 401(k) every year. If he makes big mistakes or has some bad luck with real estate, he’ll still have this long-term account that will be available when he’s older. And let’s not forget that 401(k) accounts can get you a big tax deduction. If Carter becomes self-employed someday, he’ll be able to reduce his taxable income by a substantial amount every year.

How Much Real Estate?

Once Carter sells the rental and builds up his cash reserves, his excess cash should not go directly back into real estate. He should invest his surplus into a good old-fashioned investment account.

Jeff and Doug make a good point about a home purchase being the single largest investment you will probably ever make. Further, buying a home converts the expense of living, like paying rent, into an investment as you pay down a mortgage and gain equity in a piece of real estate you expect to continue to grow.

Perhaps keeping 30% or less of one’s net worth in real estate is reasonable. Everyone’s number may be different, but whatever your number is, make an effort to stick with it and make sure it fits your budget. Save for your emergency fund, max out your retirement and only then think about investing in real estate. You’ll be glad you took things in that order.

Be Real

The real estate addict may say they aren’t making more land and interest rates have nowhere to go but up. That may be true. To my mind, it’s safer to prudently budget your real estate expenses and be realistic about long-term appreciation. Make sure you have sufficient cash reserves set aside for those periods where your rental is cash flow negative. Repairs are needed, periods of vacancy can occur. Factor in the number of hours you spend each year dealing with tenants, repairs, paperwork, tax returns, etc. It adds up.

Chapter 4: Mortgages

Shawn Muncy, Branch Manager
Delmar Financial Company, Mortgage Bankers

One of the biggest investments most couples make will be a home purchase. Sure, it's the place you'll live and share your lives together, but no matter how much you think of it as simply your home, it's still an investment that will have a large affect on your finances and your financial plans for years to come. It's good to put some forethought into the process so you know you're putting yourself in the best situation to benefit both you and your partner/spouse.

Not Married Yet?

In most states, whether or not you're married doesn't have an effect on your home financing application. However, if you live in a community property state (AZ, CA, ID, LA, NV, NM, TX, WA and WI), it can make a big difference. This section is for you!

Several years ago, I had a gay couple come to me to just do some general planning for a future purchase. They were getting married in a month and a half. A date was set and the plans were in motion! Because of the reasons we're about to discuss, they realized once they got married it would be exponentially harder for them to buy a house.

They shifted their buying plans and now we had to fast track the purchase process to get them under contract and closed prior to the wedding date. It took them a bit to find the right property, but they closed the Thursday before their Saturday wedding! It was a whirlwind month for them, but it saved them from hitting the pitfalls of being married in a community property state.

Depending on the loan type, getting married could affect your ability to get approved. In a community property state, the assets and debts of married couples are mutually shared. If just one of you would be on the loan (say, because the other has bad credit), and you're looking to obtain an FHA, VA, or rural development loan, the debts from the spouse who's not on the loan would still go into your debt ratios. This means, for example, you're not just qualifying with your car payment and student loans, you're adding in your new spouse's car payment, too, and that could make your debt load too high.

In addition to the effect of adding your spouse's debts to your debt load without the benefit of their income, another concern might be if they have large collections on their credit. While you might not think of these as monthly payments that would increase your debt load, some programs will add a percentage of outstanding collections to the ratios — so this could be a surprise you weren't expecting. Other items that could affect the ratios are child support and property expenses on another owned property.

If you'll be doing any other type of loan like Fannie Mae, Freddie Mac, or a jumbo loan, your marital status won't play into the ratio calculation. These loan types don't look at the spouse's debt even if you're married.

Now You're Married!

Once you're married, you do lose some flexibility on loan options. However, male/female couples have been dealing with the lending "burden" of marriage for years, so even once you're married you can still look into options to purchase or refinance and hopefully they are still viable.

Marriage can also affect your taxes, including how the house is reflected on your return, so check with your financial advisor to see what those effects will be for you.

Each couple's situation is unique. In the end, just speak with your mortgage lending professional so they can assess your current situation and see what the best option is for you. In addition, it's always good to start looking into buying early. This will give you time to work on any issues you may have in the home application, so when it's time to actually buy, you're putting your best foot forward.

Together Forever — For Better or Worse

Buying a house together can help get you into the home you want. When you're applying single or just on your own, you're going to hit some limit to the price range you can afford. When you're able to add a spouse or partner (or any co-borrower), you increase the income reflected on the application. As long as that person isn't adding a large amount of other liabilities to the application (i.e., car payments, student loans, credit cards, child support, etc.), you'll be able to go higher on the purchase price. You also have the benefit of adding other strengths to the file if your application needs it. Maybe they have better credit, or additional funds in savings. These items can help get an approval on a file that may be lacking strengths on its own.

There are many things to think about when you're going to buy a home together. Marriage seems like a big commitment — but buying a house together is an even bigger commitment! When you buy a house, to some degree you really are in it for the long term. There is a cost to selling a home, so you don't want to go into a purchase if you expect to need to sell in the near future. This could include potential job transfers, other influences that may direct you to change houses or doubts about being tied to the co-borrower for the long term. Instances have come up where a young couple has bought a house together and then decided the relationship wasn't working out. Because they bought with a low down payment program (and therefore had little equity), they weren't able to sell the house. Neither could afford to move out to pay a higher rent amount or get enough in rent from a roommate to offset the house payment. So they just divided the house and lived there with their ex. Awkward!

Also, keep in mind that as far as the mortgage trade-line goes, your payment history is going to be reflected on each other's credit. So even though you may agree one of you is going to be paying the mortgage each month and the other one is funding trips to Fort Lauderdale and San Fran, you're both still responsible for that payment and if the mortgage payer falls behind, it will be reflected on both borrowers' credit. One of the most awkward conversations for a loan officer is telling an applicant who thinks he has stellar credit that he has a rash of late payments. He responds, "That can't be. My partner makes all those payments!" To which the loan officer can only respond, "Maybe he's supposed to be making the payments on time, but it appears he isn't."

Holding Title

The following is general insight into holding title. This is not to be interpreted as legal advice and you should always consult an attorney in your state if you have specific title questions.

How you can hold title varies from state to state, and is something you want to inquire about so you're properly planning for your and your partner's financial future. There a few options.

Community Property

In community property states, title between married couples will almost always be taken as community property. This means both spouses have a 50% interest in the property, and if one spouse passes, their interest automatically goes to the surviving spouse.

Tenants In Common

Title can also be held as Tenants In Common. At least in Texas, this is generally the default way to hold title between two unmarried persons. When title is held as Tenants In Common, each owner separately owns their 50% interest. When any owner passes, their interest goes to their estate. If you have wills in place and have taken legal measures to ensure your estate goes to your partner, that effectively accomplishes the same thing. However, if you have family that's less than supportive of your relationship, they can challenge wills, and make the probate process very difficult. If you don't have wills, the deceased's interest will go to their next of kin. This means if your partner passes, you'll end up owning the house with possibly their parent, a sibling who lives 1,500 miles away or maybe their ex-spouse who has custody of their minor child. None of these sound like a fun result. The next option may be a better way to go.

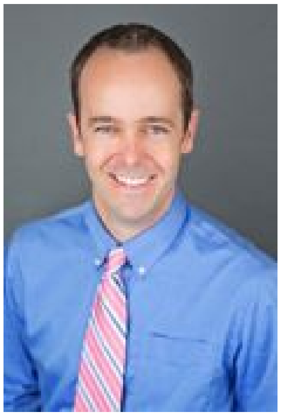
Joint Tenants with Rights of Survivorship

This means of holding title needs to be specifically requested to set up ownership this way. In this instance, an unmarried couple still each owns a 50% interest in the property. When one passes, the rights of survivorship kick in. This means the survivor receives the interest in the property from the deceased owner. Because title is legally set up this way, there really is no option for other parties to have an issue with it. Upon one party's passing, you just submit the death certificate to the county and title gets updated to reflect the survivor as the sole owner.

If there are three people on title, you still have the same options for ownership. If three of you are tenants in common, upon one person's passing, their interest goes to their next of kin. So the surviving two still have a 33.3% interest and the new owner of the remaining 33.3% will be the deceased's next of kin. If you set it up as joint tenants with rights of survivorship, the deceased's interest goes to the two remaining parties, and they're now each 50% owners in the property.

As an example of the ramifications of title laws, a lesbian couple wanted to buy a home together. During the course of the application, it came out that one of them still had a husband in Vermont. Since they were buying a homestead in Texas, a community property state, this meant the estranged husband would have to sign off on the purchase and take an interest in the property. Even though he didn't live in Texas, his spouse was buying a primary residence in a community property state, which means his interest is still protected. If the buyer didn't disclose the marriage and went on to close without the husband's knowledge, she would have opened a big can of worms.

First, if she stated unmarried on the application, she would have committed fraud on a federal loan form. Second, just because the husband doesn't know doesn't change the fact that he has an interest in the property. The lesbian couple could live in the house for 10 years, sell it, and 5 years after that he could find out his wife at the time owned a house in a community property state. He still has the rights to his interest in the property — and e could sue for them. At that time, everyone will find out she declared she wasn't married when she was, and the whole issue will come to a head.



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Chapter 5: Insurance, Property & Casualty

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Liberty Mutual Insurance

Insurance can appear intimidating, but understanding the basics and knowing what questions to ask will leave you feeling empowered when selecting the coverage that fits your individual needs.

To enhance your understanding, I've developed the following guide detailing the ins and outs of auto and homeowners insurance.

Renter's Insurance

Your landlord likely has insurance to protect your building, but did you know that policy will not protect your personal belonging? In the event of a theft or fire, you could spend thousands of dollars to replace the personal property you worked so hard for.

For less than two cups of coffee a month, you can protect your valuables against theft, fire, water damage and more. With renters insurance, you will also have liability protection, which is usually required by most apartment complexes and landlords. Liability protects you in the event your actions accidentally cause injury to others or damage to their property.

Keep in mind, some policies will also protect your property off-premises: on vacation, at your friend's place or in your car.

It's Important to ask…

Will my policy have replacement cost coverage? With replacement cost, you can rest assured that your insurance company will pay what it costs to repair or replace your damaged possessions at today's prices, without incorporating depreciation.

Auto Insurance

Your car is at the center of your life. Whether you're dropping your kids off at school, getting to that important meeting or enjoying a weekend drive, your car helps you get things done. That's why you need car insurance that fully protects you, your passengers and your vehicles.

Protecting yourself includes the following coverage:

Liability — When someone is hurt or property is damaged in an accident, your insurance will pay for covered damages and court costs if you are sued. The coverage will appear as:

100/300/100
100 = $100,000 for bodily injury per person
300 = $300,000 total bodily injury liability per accident
100 = $100,000 for property damage per accident

Medical Payments — Will cover accident-related medical expenses to your policy for anyone injured in your car regardless of who is at fault. Limits generally vary from $500 to $10,000.

PIP (Personal Injury Protection) — Similar to medical payments, with the exception of helping pay for medical expenses OR lost wages. Therefore, if you're retired you may consider sticking to medical payments.

Uninsured/Underinsured Motorist — If you're in an accident with someone who has minimal or no coverage, your insurance will protect you and any passengers in your vehicle.

Protecting your car includes the following coverage:

Collision — Refers to the coverage designed to protect you in the event of a car crash. Deductibles will range from $0 to $1,000 and will be deducted minus your payout.

Other than Collision (Comprehensive) — Will protect you in the event of hail, theft, vandalism, fire or any other severe weather. Like collision, you will choose from a selection of deductibles ranging from $0 to $1,000.

Other important coverage:

Rental Car Coverage — Helps cover the cost of a rental while your regular ride is out of commission due to a covered accident.

Roadside Assistance (Towing and Labor) — Have a flat tire, run out of gas or need to get towed? Call for roadside assistance. If you have sufficient roadside with your auto maker or another company, you may consider opting out.

Important details to ask/disclose for maximum savings:

- **Are you married or domestic partners?** Generally, combining insurance policies can serve as a great way to keep rates down while maximizing important savings.
- **Any member in your household active, retired or reserve member of the U.S. Armed Forces?** Make sure to tell your agent.

- **Do you carry accident forgiveness?** Accident forgiveness will protect your rates from adjusting due to your first claim.
- **Are your kids off at college and don't bring their vehicle along?** Make sure to ask your carrier if they can receive special savings.
- **Bachelor? Masters? New Graduate? A + student? Are you or your children in school?** If so, make sure you let them know your academic background and grades.
- **Ever taken a driver training course?** Make sure you tell your agent.
- **How much can I save when combing my auto and homeowners insurance?** Ask about multi-policy savings.

Homeowner's Insurance
A common notion when shopping for insurance is that as long as the coverage limits match, a policy or quote comparison is "apples to apples." The reality is that homeowners' policies differ substantially even though they may appear to be identical.

Important questions to ask and consider:

- **Is this an all/open peril policy?** All/open peril policies list only what's excluded and serve as the most comprehensive choice when shopping for coverage. Those named peril will do the opposite and only list what's covered — so if you have a peril that isn't mentioned, you won't be covered.
- **Does my coverage include replacement cost**? As mentioned previously, with replacement cost coverage, you can rest assured that your insurance company will pay what it costs to repair or replace your damaged possessions at today's prices, without incorporating depreciation.

Your policy will consist of the following coverage:

Dwelling/Physical Structure
Protection for the structure itself minus land value or cost to rebuild home.

Other Structures
Can be an outhouse, shed, garage, greenhouse or any other structure not attached to your dwelling. This coverage may also be used when protecting your fence. Typically, your policy will automatically come with 10% of your dwelling, so if you do have any other structures, ensure you add the right coverage to make sure they're protected.

Personal Property
If your personal possessions, like furniture, clothing, and appliances, are damaged or deemed a total covered loss, it will be arranged to repair or replace them.

Loss of Use
Will cover any normal or additional living expense incurred while your home is being repaired. For example, your home is damaged from a fire. Your additional living expense would be covered while the repairs occur, i.e., you spend $500 compared to your normal $400 on groceries since you have to dine out. Loss of use covers any additional living expenses, meaning any necessary expense that exceeds what you normally spend, such as hotel or rental home charges, food and utility expenses, and additional car mileage. For example, say you usually spend $400 per month for groceries. While your home is being repaired, you spend $500 a month since you have to dine out instead of cook at home. Your policy will cover the $100 difference. It's important to keep all additional living expense receipts.

Liability
If someone is accidentally injured or has their own property damaged while on your premises, your carrier will defend any claims against you and pay those claims up to your policy limits. They will also pay for reasonable and necessary medical expenses up to the limit you purchased, regardless of who was at fault.

Medical Payments
Applies to the costs associated with injuries that happen to guests at your home, regardless of who is at fault.

Deductible
Your standard deductible will be used for every other coverage claim aside from wind and hail. While the standard is 1% of your dwelling, certain companies will allow for a less expensive deductible, like $1,000 or $500. This will give you flexibility when filing smaller claims.

Wind/Hail Deductible
Just like your standard deductible, you'll generally find this deductible to be 1% of you dwelling, but you may certainly ask for a reduction if available.

Other important factors:

- **Do you have a pool, treehouse or trampoline?** Consider increasing your liability limits.
- **Have a coin collection? Expensive computer? Engagement ring?** Ask your agent about scheduling high value personal property. Scheduling property will reduce your deductible and ensure your items are completely covered!

Final Thoughts

Shopping for the right carrier can seem like a tough endeavor, so make sure you select a dedicated agent who will spend time with you before and after the sale. Having one dedicated expert to answer any questions along the way will give you peace of mind when adding, dropping a vehicle, or simply changing coverage to accommodate your needs.

Andrew Chavez

Andrew Chavez focuses on property and casualty insurance, and life insurance. He has served five years in the insurance industry, working as captive agent dedicated to serving his policyholders. His objective is to look at the big picture and anticipate the needs of his clients, ensuring they receive the best possible coverage at the most competitive price. He strives for perfection and above all, customer satisfaction.

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Chapter 6: Estate Planning

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Estate Planning in the World of Marriage Equality

For the many couples who could not marry prior to marriage equality, estate planning was vitally important to gain some of the protections for family otherwise available through marriage.

And yet, now that marriage equality is the law of the land, whether or not you choose to marry, estate planning remains necessary to protect you and your loved ones. Creating a comprehensive estate plan puts you in charge of decisions that have enormous impact on you and your family.

Below are just a few of the many reasons estate planning is necessary:

- If you have children, it’s necessary to appoint guardians for your minor children and trustees to manage their property. In absence of such planning, a court may decide these appointments.
- Without a will, the process of transferring property upon death can be costly, cumbersome and time-consuming.
- A durable power of attorney is necessary for your spouse to manage all your finances if you are unable to do so due to incapacity or other reasons.
- A will is necessary to control/coordinate disposition of your assets, including life insurance and retirement benefits Without a will, state law decides who inherits your property.
- Provide for a seamless transition of a family-owned business between generations.

- You want to protect your family’s assets from potential creditors.
- You want to reduce the potential impact of estate or income tax.

Estate planning is ultimately about protecting your family when they may need it most. In the event of the worst, it’s the last thing your family should worry about.

A few of the basic, yet necessary, estate planning documents are listed below.

Will

A will enables you to distribute your assets to named individuals upon your death. Without a will, your assets will be distributed according to state law rather than to the beneficiaries of your choice. If you’re unmarried, drafting a will is especially important to ensure your assets are distributed based on your wishes following your death.

Trust

A trust is an incredibly flexible planning tool that can be used to achieve a number of estate planning goals. For instance, a trust allows you to pass property located in another state without going through the probate process of multiple states. If you wish to reduce the impact of estate tax on bequests to your family, would like to maintain a degree of privacy with respect to your estate, or would like to plan gifts for future generations, a trust enables you to do all this and more.

Advanced Healthcare Directive

An advanced healthcare directive, also known as a living will, allows you to state in advance the end-of-life decisions you want made on your behalf should you ever become unable to make these decisions yourself. The advanced healthcare directive allows you to appoint someone of your choosing, an agent, to make healthcare decisions for you when you can no longer make them for yourself. The authorized agent is allowed to access your medical information.

Durable Power of Attorney

A financial durable power of attorney allows you to name someone to make financial decisions on your behalf in the event you cannot do so on your own.

Medical Power of Attorney

A medical power of attorney allows you to designate one or more persons to make medical decisions on your behalf in case of your incapacity.

Designation of Guardian

A Designation of Guardian can be used in two ways: to designate a guardian for yourself should you become incapacitated or to designate a guardian for your child. If a guardian is appointed on your behalf, your appointments made in your powers of attorney may no longer be valid. Thus, it's important to choose a guardian in advance.

While these documents provide basic protections, every family is different and therefore has different needs.

Planning for Couples with Children

Even though same-sex couples can now marry, it continues to be very important for the non-birth parent to adopt to protect his or her parental rights. This is true regardless of whether the child was born during marriage. Remember, the marital relationship and the parent-child relationship are two distinct legal entities. Even if both parents are on the birth certificate, a court order is necessary to secure the legal parent-child relationship with the non-birth parent.

Generally, when a child is born to a couple during marriage, the law presumes the child is that of the married couple. However, it’s unclear whether courts will treat same-sex couples the same as opposite-sex couples in applying this marital presumption. In fact, some courts have not applied the marital presumption to same-sex couples. Thus, it remains important for the non-birth parent to obtain a court order recognizing the parent-child relationship.

Post-Marriage Equality Caveats: Are you Married? Are You Sure?
The U.S. Supreme Court resolved the question of whether same-sex couples can marry. But, as illustrated below, the question of whether a couple is married and, if so, the beginning date of the marriage, can be complicated..

Civil Unions and Domestic Partnerships
If you were one of the many people who obtained a domestic partnership or civil union, you should be aware these entities have legally binding significance, including legal protections and responsibilities similar to marriage. In fact, following the passage of marriage equality, at least six states automatically converted civil union and domestic partnerships created in the state to marriage. Therefore, if you obtained a civil union or domestic partnership with an ex and never legally dissolved the relationship, you may have ongoing legal obligations to your ex; you may even be married.

Common Law Marriage
Texas is one of several states with common law or informal marriage. For a common law marriage to be valid in Texas, the couple must (1) agree to be married, (2) represent themselves as married to others, and (3) live together as a married couple in Texas. This issue is particularly applicable

to couples living together before marriage equality who choose not to have a ceremonial marriage. The obvious question is whether a couple can meet the requirements of common law marriage, particularly (1) and (2) above, at a time when the state did not recognize their marriage. Several courts have ruled a couple can be common law married even before the marriage equality ruling.

Here’s an example to illustrate some of the post-marriage equality legal complications:

Bob and his significant other, Jeff, register as a domestic partners while living in Seattle. In 2009, Jeff and Bob move to Texas. In 2014, Bob meets and falls in love with Jim. Bob decides to split up with Jeff and moves out of their home, purchased together in 2011, and buys a new home with Jim. Following the Supreme Court ruling on marriage equality, Bob and Jim decide to marry.

Not realizing the legal significance of the domestic partnership in Washington, Jeff and Bob never terminated it. Bob and Jeff also didn’t realize Washington State converted all domestic partnerships to marriage in June 2014. Thus, the two are married and don’t know it! This means Bob and Jim cannot marry until Bob terminates his marriage to Jeff. This also has implications for Bob and Jeff’s rights to their property. When you marry, state law defines you and your spouse’s relationship to each other’s property.

Therefore, if you live in a common law marriage state such as Texas or had a civil union or domestic partnership, it’s important to have a candid conversation with your estate planning attorney about your relationship intentions and status. While marriage equality provides long overdue legal protections to same-sex couples, it brings with it some legal unknowns. A proper estate plan remains important to address these potential unknowns and protect you and your family.

Elizabeth Brenner, Counsel, Burns Anderson Jury & Brenner LLP

Elizabeth Brenner is committed to helping clients achieve their goals, whether it's protecting their loved ones or tailoring a solution to a unique set of legal needs.

Prior to joining BAJB, Liz's practice focused primarily on public policy and public interest work. Having drafted, reviewed, and edited numerous pieces of legislation, she has developed an eye for detail and a keen ability to analyze a problem and craft a precise solution. During law school, Liz was the editor-in-chief of a law journal, the Texas Journal of Civil Liberties and Civil Rights. As a law student, she spent her summers clerking for public interest organizations.

Liz graduated from the University of Texas School of Law in 2003. After receiving her undergraduate degree in government, also from UT, Liz dedicated a year to public service as an Americorp VISTA. Because she's lived in Austin since high school, she likes to consider herself a native Austinite.

Postscript

Kermit Johns, RFC®

I received a very distressing call this week from a friend of a client. My client, who is confined to a wheelchair, decided she was finally ready to undergo knee replacement surgery. The surgery in most people has become routine, and for her, it would allow her to walk and give her freedom after years of confinement.

Complications developed from the anesthesia even before the surgery began. She slipped into a coma and was put on life support.

Unfortunately, despite my nagging, she had no will prepared and no medical proxy — so named no one to make decisions for her in her incapacity. She could have remained in a vegetative state indefinitely, as no one was given the authority to make a life-ending decision.

Even worse, her substantial investment account was titled as an individual account. After her partner passed away, and she had her partner's name removed from her account, I encouraged her to name another family member with the designation "Transfer on Death." Doing so would have avoided probate for this account and the asset would have passed easily to the person she wanted. She wavered, because she could not make up her mind.

Fortunately, she recovered enough to remedy this situation and we called an attorney to her bedside in a skilled nursing facility. I can't stress enough how important it is — even before an event like a vacation let alone routine surgery — to make sure all your affairs are in order.

Chapter 7: Adoption & Surrogacy

Andy Miller, MHSE, MCHES
President & Chief Officer, Any Baby Can

Questioning

So you're thinking about becoming a parent. You're probably feeling a little lost and overwhelmed with all the questions swirling around your head. Not sure where to go or who to ask? That's completely normal and something almost all gay parents say they felt when beginning their journey.

Becoming a parent is one of the biggest, most life-changing decisions you can make. And remember, it's your decision! The LGBT community has to intentionally pursue having children in most cases, and under no circumstance can we do it alone. This means there are likely dozens, if not hundreds, of questions and concerns that come up when deciding if and how to proceed.

To complicate things further, there are also deep-rooted myths and misperceptions about LGBT people and their ability to raise healthy, happy, thriving children you may need to confront, both within yourself and with others.

In this section, we'll first address the myths surrounding LGBT people and children, and then discuss the many factors LGBT people report having considered when deciding to pursue becoming a parent. We'll give you questions to consider that will hopefully help you come to a decision about pursuing parenthood. But in the end, there is truly only one question that matters: "Deep down, do you want to be someone's parent?" Additionally, we'll provide some financial information to help guide you through the process — what to plan for and how much you can expect to spend.

Myths About LGBT People and Children

While the U.S. is experiencing a dramatic cultural shift toward equal treatment for its LGBT citizens, for many years gay men were primarily portrayed as being sexually deviant or mentally ill. Many continue to falsely associate being gay exclusively with sexual behavior and thus believe children are not safe around someone LGBT. This misguided perception has led at various times to opposition to LGBT people being teachers, religious leaders and daycare providers, among others. It also keeps alive the debate as to whether LGBT people should be allowed to parent. Sadly, these cultural beliefs continue to be reinforced by many religious traditions and their effects are deeply felt throughout society. Some LGBT people themselves have internalized these myths and believe they cannot, or should not, be parents.

Fortunately, as social science and psychological research about LGBT people have demonstrated, being LGBT is not an illness and it doesn't inhibit our ability to relate to children in healthy and appropriate ways, including being parents. The American Psychological Association states, "[A] myth about homosexuality is the mistaken belief that gay men have more of a tendency than heterosexual men to sexually molest children. There is no evidence to suggest that homosexuals molest children." In fact, according to many reputable studies, LGBT people are actually less likely to molest children.

Research has identified three predominant myths many LGBT people have about parenthood:

Myth 1: *“I’m LGBT. I can’t be a parent.”*
Myth 2: *“It’s too hard to be a LGBT parent.”*
Myth 3: *“People will think my child is at risk.”*

Buying into these myths can significantly affect whether or not someone chooses to pursue their dream of parenthood. The reality is, while there remain significant challenges and barriers to many LGBT people becoming parents, very few are truly insurmountable. And while some may continue to hold onto the belief that becoming a parent isn’t an option for them, some will challenge this view, and in doing so, come to the realization they cannot only achieve parenthood, but excel at it.

Even after making the decision to become a parent, experiencing difficulties or discrimination with agencies, attorneys, authorities, and day-to-day interactions with others can weaken the resolve to stay the course. All these challenges can make LGBT people feel as though it’s just too hard to become a parent. But we are also seeing more and more agencies, clinics and professionals willing to help LGBT people build their families. LGBT people often report needing help identifying these resources and navigating the experience of vetting them to determine if they’re appropriate to help them have children. They’ll also need support as they begin to understand the patchwork of laws and regulations that exist, some of which create significant complexities, and at times outright prohibitions, for LGBT people seeking parenthood. Connecting LGBT people to others who have successfully navigated their path to parenthood can help many understand how to best accomplish their own goals.

Finally, emerging research is challenging previous beliefs that children raised by LGBT people fare worse than their peers raised by heterosexual parents. And although it’s natural to question one’s ability and capacity to be a parent, it’s not helpful to take on unproven myths, negative beliefs, and stereotypes about LGBT people as parents.

A recent Australian study conducted by Melbourne University on child health in same-sex families (the world's largest study to date exploring the impact gay parents have on their children), discovered kids with gay parents are actually happier and healthier than their peers who have straight parents. Another study by researchers at Massachusetts Amherst and the University of Virginia suggests among all parents (gay or straight), how well parents work together as a couple and support each other in their parenting roles is linked to fewer behavior problems among their adopted children and is far more important than their sexual orientation.

Still, some will likely continue to argue that same-sex couples are selfish for wanting to have children. Groups like the National Organization for Marriage have called same-sex parenting “child abuse,” and accused gays of “buying other human beings as property.”

Once you resolve the question of can you have a child and you believe it’s a viable option, the real questions are: “Should you have a child based on the goals for your life?” and “Are you ready to be a parent?”

There are two important factors to consider, especially if you have a partner. The first has to do with finances, of which work and career are a part. We have more choices than ever before when it comes to work-family options, and you’ll need to weigh the pros and cons of working or parenting full time, taking advantage of a flex- or part-time schedule, or the increasingly common option: bringing home the paycheck while your partner stays at home.

Next, a couple will need to determine how easily they can afford to have a child — or children, if more than one child is desired or a possibility.

These considerations, along with the emotional issue of whether you're ready to be a parent, tend to be two of the biggest questions people report considering before taking the next step.

Are You On the Same Page?

Planning the logistics of beginning a family can be incredibly exciting, but it can also be overwhelming. Talking frankly about what's most important to you when it comes to raising a child and how you think starting a family may change your lives will help align you and your partner's goals and desires. It's best to put everything on the table before you immerse yourself in the process, whatever path you ultimately choose.

Is it possible you've always dreamed of having two children but your partner thinks he wants just one? Alternately, are you happy with your current living situation but your partner would prefer to move to a new location altogether? How important is it to be near (or far from) your extended families? Will you both be working and dividing costs and parenting responsibilities 50/50? Or would you prefer to divide and conquer with one parent manning the homefront while the other works?

The best policy is to be open and honest. Are you both emotionally ready? Stop and think right now: Do you know if your partner feels secure enough to become a parent and is satisfied enough with other parts of his or her life so he or she will take on this new role without hesitation or resentment? Are you?

For those approaching the prospect of becoming a father or mother while single, you only have to be honest with yourself about what you want. Still, it might be helpful to speak to a counsellor or trusted friend who can ask you questions you might have considered and with whom you can talk through any doubts or uncertainties that might exist.

Can We Afford a Child (or Children)?

While you may be over the moon about the possibility of a baby in the house, don't lose sight of the most practical of considerations: Children are expensive. Sit down with a calculator and add up the numbers.

Kids of any age can be costly, but newborns especially (furniture, clothes, food, etc.) More importantly, you may also need to move to a larger home or apartment, which comes with moving costs and increased payments.

Time off or an extended leave from work might reduce your income. If both you and your partner plan on working, factor in nanny or daycare costs. Even if one of you plans to stay home, you'll still need some babysitters on occasion.

Moreover, the cost of raising a child or children only increases over time. There are ongoing expenses for medical care, clothing, toys and vacations, not to mention education. You may want your children to attend a private or religious school, for instance, and you're likely going to want to start a college savings fund. Understanding the complex financial math of raising a family will help you know if you're ready.

How Will Becoming a Parent Affect my Career?

If you plan on staying home or reducing your hours, be realistic about whether your partner's income will make up the difference. Be honest with yourself, too, about what you want from your career and whether your choices will affect your success in the long term.

If you plan on continuing to work, get to know all your company's policies. Know what's available in terms of health insurance coverage, paternity/maternity leave and flexible schedules so you can make informed decisions. Talk with other LGBT parents in the workplace to find out how they're juggling their responsibilities.

Once you tell your boss, watch out for red flags. If the boss doesn't seem supportive, you might want to question whether you're in the right job. Without the support of both your immediate boss and your employer, you may face challenges in the short and long term. If your boss is the issue, you may decide to look for other positions within the company under a boss who's more sympathetic.

How Will I Make This Work on a Daily Basis?

When blogger Susan Wagner was trying to conceive her first child, she had almost every detail of her long-range and financial plan mapped out. She got her investments in order and decided, with her husband, that they wanted two children, a house, and private schooling. What they forgot to think about were the day-to-day details of being new parents. She learned that becoming a mom rearranges your entire life, and suggests asking yourself: What are my needs, and do I have structures in place to meet those needs?

For her, it was about sleep. When her first son, now 9, was born premature, Wagner was terrified he'd stop breathing in the middle of the night. At first she slept on the floor in the nursery room to be near him. Later, and for almost a year, she slept in the guest room with the baby. Finally, her husband said "enough is enough," and the couple set up a sleep schedule that allowed her to get a good night's rest. They mapped out another sleep schedule before their second son, now 7, was born, which enormously eased their stress.

It’s important to consider some of the possibilities that may unfold. If you plan on staying home for some time, ask yourself: Will I feel isolated and am I prepared to spend more time alone, or am I open to making new child-centric friends? If you and your partner will both work, consider how you’d divide domestic tasks like cooking and cleaning, and whether you need to hire domestic help. Also consider the effects of parenthood on your personal time by asking: How much time can I factor in for exercise, my friends or date nights, and who will take care of the baby during those times?

How Am I Going to Become a Parent?

There are numerous options available, and each should be carefully considered before rushing into any one option. All have risks and all will require some form of financial transaction. But don’t let cost be your sole guide. Your values and risk tolerance should also be large influences in the method of becoming a parent you choose.

Traditional Surrogacy

Cost: $80,000 – $100,000

Pros:

- No need to secure egg donor or incur costs harvesting an egg or embryo in most cases
- Child biologically related to father in most cases, thus practically guaranteeing legal fatherhood from the beginning
- Less expensive than gestational surrogacy

Cons:

- Expensive, although some financial assistance programs are available

- Surrogate is biological mother of the child with equal parenting rights that must be terminated (otherwise it becomes co-parenting)
- Some surrogacy agencies choose not provide traditional surrogacy services
- Some states make compensated surrogacy illegal and some countries don’t allow single men or same-sex couples access to surrogacy services

Traditional surrogacy might be a good option if you:

- Strongly desire a biological connection to your child
- Want to develop a bond with the biological mother of your child and experience the pregnancy process alongside her
- Are comfortable with the risks associated with having the biological mother serve as the surrogate
- Are able to secure the financial resources necessary for surrogacy
- Live in/are able to travel to an area that allows single men or same-sex couples access to surrogacy services

Surrogacy is an arrangement in which a woman carries and delivers a child for another couple or person. In traditional surrogacy, the surrogate uses her own egg and is the child's genetic mother. The child may be conceived via home natural (sexual intercourse) or artificial insemination using fresh or frozen sperm or impregnated via IUI (intrauterine insemination) or ICI (intracervical insemination) performed at a health clinic.

Monetary compensation may or may not be involved in surrogacy arrangements. If the surrogate receives compensation beyond the reimbursement of medical and other reasonable expenses, the arrangement is called commercial surrogacy; otherwise ,it’s often referred to as altruistic surrogacy. The legality and costs of surrogacy vary widely between jurisdictions, resulting in high rates of international and interstate surrogacy activity. You should familiarize yourself with the laws and regulations of your state and/or any countries you're considering before proceeding with surrogacy.

Fees associated with traditional surrogacy typically include those to the surrogacy agency, the surrogate herself, an attorney and a social worker. In addition, fees associated with legal and medical costs, travel expenses for the surrogate and intended parent(s), maternity wardrobe, lost wages of the surrogate, daycare for her other children, and other miscellaneous expenses are also likely. Many intended parents report having an additional 20% set aside in case something unforeseen comes up.

Instead of using a surrogacy agency, many intended parents hire an attorney who's experienced in traditional surrogacy. The total cost is about the same, though, and it could take more time if the attorney has to seek and find potential carriers for the family to screen. Agencies typically have lists of potential carriers at hand, many of whom have been surrogates previously. It's recommended you only work with individuals and agencies with deep experience in surrogacy and a proven track record of success.

Another reason it's important to have an experienced surrogacy agency or attorney guide your traditional surrogacy process is there are numerous cases of intended parent(s) establishing "handshake" agreements with surrogates to save on legal fees, only to find themselves spending more in the end should things not work out as planned. The surrogate might ultimately refuse to terminate her parental rights or may choose to parent the child herself, regardless of the previous verbal agreement. Not only can taking legal action to remedy this situation have a financial impact, but also an emotional one at a time that should be focused on bringing a child into a stable, calm and nurturing environment.

There are an increasing number of options for intended families to help them secure funding for surrogacy, including specific loan programs to help finance the costs over time.

Gestational Surrogacy
Cost: Up to $100,000 or more

Pros:

- Child biologically related to father in most cases, thus practically guaranteeing legal fatherhood from the beginning
- Allows the intended parent(s) to become emotionally invested in the pregnancy without the risk that the birth mother will change her mind once the baby is born
- International surrogacy services can be significantly less expensive
- Ability to choose the genetic profile of the egg donor

Cons:

- Expensive, although some financial assistance programs are available
- Complex process that requires significant medical and legal assistance, although many reputable agencies exist to help make the process understandable
- Some states do not allow compensated surrogacy and some countries do not allow single men or same-sex couples access to surrogacy services
- International travel requirements, complex bureaucracies, and quickly changing laws can add risk and complications

Gestational surrogacy might be a good option if you:

- Strongly desire a biological connection to your child

- Want to develop a bond with the birth mother of your child and experience the pregnancy process alongside her
- Are uncomfortable with the risks associated with traditional surrogacy
- Are able to secure the financial resources necessary for surrogacy
- Live in/are able to travel to an area that allows single men or same-sex couples access to surrogacy services
- For international surrogacy — Are an experienced international traveler and are able to strongly advocate on your child's behalf to officials in a foreign country if necessary

Surrogacy is an arrangement in which a woman carries and delivers a child for another couple or person. In gestational surrogacy, the surrogate (or carrier) is genetically unrelated to the child, as she's carrying an embryo from an egg donor fertilized by donor sperm (typically from the intended father). Since gestational surrogacy requires the transfer of a previously created embryo via IVF (in vitro fertilization), the process always takes place in a clinical setting under the care of highly trained medical professionals.

There are an increasing number of options for intended families to help them secure funding for surrogacy, including specific loan programs to help finance the costs over time. Many gay men and couples are also looking overseas to surrogacy opportunities to reduce costs. There are certainly success stories of gay men creating their families through international surrogacy, but laws in many countries are continuously shifting and countries "open" and "close" to gay men and couples sporadically and without much notice. Costs tend to be less, but travel costs and extended stays in the countries quickly add up. In addition, bureaucracies around gaining visas and passports for infants can be complex and there are numerous cases of people needing to stay in a country for an extended period of time to resolve issues before being allowed to return to the U.S. with their child(ren).

Foster Care/Public Adoption

Cost: Virtually none (in most cases, foster parents receive compensation for raising their children by the state)

Pros:

- Giving a home to children in desperate need of stability and a loving family
- Ability to parent sibling groups
- Opportunity to parent a multi-cultural/multi-racial family
- Unlikely a birth mother will change her mind prior to placement
- Very few additional financial resources are needed beyond the normal expenses of raising a child

Cons:

- Children have often experienced trauma and may require additional medical or emotional support services
- Newborns or infants may have significant disabilities and needs
- Placements may not be permanent and all children will not be made eligible for adoption
- Children’s birth parents/families may continue to disrupt the child’s life for an extended period
- While some states may restrict gay men’s ability to foster, adopt or petition for second-parent adoption, the vast majority of states have no such restrictions and actively seek to attract gay men and same-sex couples to the foster care system

Foster care or public adoption might be a good option if you:

- Strongly desire to parent a child in need of stability

- Have an affinity for older children or sibling groups
- Are comfortable with the possible impermanence of the placement
- Are comfortable with parenting a child of a different race or ethnicity
- Feel capable of parenting a child who may have experienced significant trauma or have special needs
- Aren’t capable of securing funding for more expensive family-building methods

Historically, many gay men have chosen to become fathers through the foster care or public adoption of children, mainly because it was one of the few options available to them. Still, even with expanding options for a gay man to build his family, the foster care system provides many with an option consistent with their values and desires.

Foster care is a state-run program that allows stand-in parents, referred to as foster parents, to care for minor children who have been removed from their biological homes. There are a number of reasons why children might be removed from their biological homes, including abuse and neglect.

Often, parents who have had their children removed from their homes are given a plan to follow by the courts. The plan could include entering and successfully completing rehab, securing a job or a safe place to live, or attending and participating in a predetermined number of counseling sessions. Once the biological parents complete the steps, full custody will likely be restored. However, until that happens, children need a safe, stable and loving place to live. Foster care aims to provide that home. The main goal of foster care is reunification. However, it isn't uncommon for children placed in foster care to become available for adoption at some point, largely due to their biological parents failing to meet the state’s requirements, lack of extended family suitability or parental incarceration.

Gay men interested in becoming a foster parent will have to complete the same steps as anyone else before being licensed. Each state completes their process a little differently, but generally, each state will have similar requirements.

Some requirements to become a foster parent may be:

- Police background check and fingerprinting
- Comprehensive home studies conducted by a social worker to ensure child safety
- Classroom training hours
- First aid certification
- Medical clearances for all adults and children currently in the home

While most gay men report being treated fairly and in a non-discriminatory way, each state, judge and child welfare officer is different and experiencing unfair treatment based on your sexual orientation is possible. However, most people recognize the great need for capable and caring foster parents based on the number of children in the system, so they're hesitant to turn away qualified candidates.

Once you've completed the requirements for your state ,you'll I usually get a paper copy of your license, either in the mail or hand delivered, or at least a call from your local Child Welfare Office to inform you you're certified to foster.

Licensed foster parents are usually reimbursed expenses accrued throughout the month by way of monthly stipend, sent from the state or agency you're working with. It's not uncommon for parents to spend well beyond the monthly allotment to care for foster children, so ensuring your ability to afford children is a very important step when deciding to become licensed. However, that stipend will help considerably.

Once all the requirements are met, you'll be eligible to have a child placed in your home. You may already be fostering the child you want to adopt. Still, there is likely a probationary period at which time the social worker makes follow-up visits. After the probationary period is up, you'll be required to present a post-placement study to the Child Welfare Officer to obtain an adoption decree from the court.

If you're eager to adopt and ready to receive the responsibilities of raising a child with a particular need, the waiting can be very brief. The entire process from the orientation, training, home study and background checks to getting matched with a child can be accomplished in about nine months.

There will also be less danger regarding a birth mother changing her mind. These are children who have come into the care of the state because their parents are not able to properly care for them, perhaps neglecting them or subjecting them to abuse.

"How much will it cost?" is another frequent question. There are typically no costs involved to adopt a child from the public system — costs associated with the home study, court dates, attorneys' fees and training are all typically covered by the state. And while cost is a significant consideration in choosing what is your best option to build a family, you should be aware of all aspects of foster care and public adoption before you make your choice.

Private Adoption
Cost: $20,000 – $35,000

Pros:

- Ability to parent a newborn child

- Chance to connect to your child's birth mother and get background information and history
- Opportunity to maintain lifelong connection to your child's birth family
- Less expensive than surrogacy

Cons:
- Cost may be prohibitive to many, but multiple tax credits and financial assistance programs are available
- Birth mother choices during pregnancy and prenatal care can put child at risk and she's able to change her mind after the baby is born
- Wait time for placement varies by agency and hard to predict
- Some agencies refuse to work with gay men or same-sex couples due to religious reasons, but many actively seek gay men and couples as adoptive parents

Private adoption might be a good option if you:
- Strongly desire to parent a child from infancy
- Want to develop a bond with the biological mother of your child and in some cases, experience the pregnancy process alongside her
- Are comfortable with the birth mother's ability to change her mind after the child is born
- Are able to secure the financial resources necessary for adoption
- Live in an area that allows gay men or same-sex couples access to adopt, either jointly or through second-parent adoptions

Adoption is a process whereby a person assumes the parenting for another and, in so doing, permanently transfers all rights and responsibilities from the biological parent or parents. Unlike guardianship or other systems designed for the care of the young, adoption is intended to affect a permanent change in status and as such requires societal recognition through legal sanction.

Contemporary domestic adoptions in the U.S. can be open or closed. Open adoption allows identifying information to be communicated between adoptive and biological parents and, perhaps, interaction between kin and the adopted person. Open adoption is typically an informal arrangement subject to termination by adoptive parents who have sole authority over the child. In some jurisdictions, the biological and adoptive parents may enter into a legally enforceable and binding agreement concerning visitation, exchange of information or other interaction regarding the child. Some U.S. states allow legally enforceable open adoption contract agreements to be included in the adoption finalization.

The practice of closed adoption (aka confidential or secret adoption), which has not been the norm for most of modern history, seals all identifying information, maintaining it as secret and preventing disclosure of the adoptive parents', biological kins', and adoptees' identities. Nevertheless, closed adoption may allow the transmittal of non-identifying information such as medical history and religious and ethnic background. Today, as a result of safe haven laws passed by some U.S. states, secret adoption is seeing renewed influence. In so-called "safe-haven" states, infants can be left, anonymously, at hospitals, fire departments, or police stations within a few days of birth, a practice criticized by some adoption advocacy organizations as being retrograde and dangerous. Closed adoption, lack of medical history, and the broken thread of family continuity can have a detrimental impact on an adoptee's psychological and physical health. The lack of openness, honesty, and family connections in adoption can be detrimental to the psychological well-being of adoptees and their descendants. That's why most reputable adoption agencies and attorneys almost exclusively facilitate open adoptions.

There are many different adoption agencies and professionals to choose from across the U.S, but the domestic adoption process is highly regulated and remains mainly the same with minor variations by state.

To begin, you have to decide if private domestic adoption is right for you. The private domestic adoption process refers to the placement of U.S.-born infants for adoption by their birth parents, who legally consent to the adoption with an adoptive family of their choosing.

Next, you will need to choose an adoption professional or agency. It’s essential to thoroughly research adoption professionals before settling on one. When selecting an adoption professional, price is just one of several factors to consider, which also include:

- History working with LGBT families and gay men in particular
- Inclusive policies and procedures
- Wait times
- Disruption rates (when an adoption fails to finalize)
- Hidden fees
- Financial protection
- Amount of support, education, and guidance you and the birth family will receive

Most agencies will charge upfront, non-refundable fees, which discourages people from signing with multiple agencies. They’lll then allow the balance of the fees to be paid over time, but once the baby is placed in your care, the remaining balance will be due. There are numerous financial assistance or financing programs available to help cover costs, plus there are significant tax credits that can be applied to return a substantial amount to the adoptive family as a tax refund. There are even some websites that can help you create a fund to assist with costs to which people can donate a tax-deductible gift.

International Adoption
Cost: $30,000 – $50,000

Pros:

- Ability to give a child a home who is from a country where their options might have been very limited or they life was endangered
- Opportunity to parent a multi-cultural/multi-racial/multi-national family
- Virtually no option for a birth mother to change her mind prior to or after placement
- Less expensive than surrogacy

Cons:

- Cost may be prohibitive to many, but multiple tax credits and financial assistance programs are available
- Typically limited and widely variable information about the child, the birth mother, and her pregnancy
- Complex and complicated system depending on the country
- Some countries don't allow single or gay men or same-sex couples to adopt and laws and policies can change very quickly

International adoption might be a good option if you:

- Have a strong bond with a specific country and want to parent a child of that nationality
- Are comfortable with having limited to no information about your child's birth family and virtually no option for contacting them
- Are an experienced international traveler and are able to strongly advocate on your child's behalf to officials in that country if necessary

- Are able to secure the financial resources necessary for international adoption
- Are comfortable with the risks associated with changing international laws regarding gay men adopting children

International adoption (also referred to as intercountry adoption or transnational adoption) is a type of adoption in which an individual or couple becomes the legal and permanent parent(s) of a child who is a national of a different country. In general, prospective adoptive parents must meet the legal adoption requirements of their country of residence and those of the country whose nationality the child holds.

The laws of countries vary in their willingness to allow international adoptions, especially for single men, gay men and same-sex couples. Some countries, such as China and South Korea, have relatively well-established rules and procedures for international adoptions, while other countries expressly forbid it. Some countries, notably many African nations, have extended residency requirements for adoptive parents that in effect rule out most international adoptions.

Adoption policies for each country vary widely and can change quickly. Information such as the age of the adoptive parents, financial status, educational level, marital status and history, number of dependent children in the house, sexual orientation, weight, psychological health, and ancestry are used by countries to determine what parents are eligible to adopt from that country. Many countries have an outright ban on single men, gay men or same-sex couple adopting. Recently, some countries, such as Russia, are banning all international adoptions to countries where same-sex marriage has been made legal.

Information such as the age of the child, fees, and expenses, and the amount of travel time required in the child's birth country can also vary widely from one country to another. Each country sets its own rules, timelines, and requirements surrounding adoption, and often each part of the country sets its own rules about what will be shared and how it will be shared (e.g., a picture of the child, child's health). Reliability and verifiability of the information is variable. Some countries may actually share very little information about the child being presented for adoption. There have unfortunately also been cases of countries providing false information about children (age, exposure to alcohol as a fetus, academic performance, etc.) to make them “more adoptable.”

Most countries require a parent travel to bring the child home; however, some countries may allow the child to be escorted to his or her new homeland.

The U.S. Department of State has designated two accrediting entities for organizations providing inter-country adoption services in the U.S. and working with sending countries that have ratified the Hague Convention on Protection of Children and Co-operation in Respect of Intercountry Adoption. They are the Council on Accreditation and the Colorado Department of Health and Human Services. The U.S. Department of State maintains a list of all accredited international adoption providers.

The requirements necessary to begin the process of international adoption can vary depending on the country of the adoptive parent(s). For example, while most countries require prospective adoptive parents to first get approval to adopt, in some the approval can only be given afterwards.

Children eligible for adoption are often referred to as “orphans.” Often an "orphan" is a child whose living birth family has consented to an adoption.

It’s a complex process and the increased fees associated with international adoption are a result. Typically, the total cost will include:

- Agency fees
- Home study fees
- Background checks
- Processing fees
- “Donations” to the foreign country to fund their orphanage system — less than $10,000 up to $20,000 depending on the country
- Travel costs, including extended stays that might be required
- Visas
- Fees for post-placement services
- Adoption finalization legal fees

Financing for international adoptions is also available from numerous sources, as are matching grants and tax credits.

Co-parenting
Cost: $0 – $18,000 (depending on the type of insurance coverage and excluding any assisted reproductive technologies)

Pros:
- Your child will have two known parents and you’ll have co-parent support
- Child will be biologically related to you, guaranteeing fatherhood from the beginning
- No more expensive than heterosexual couples having a biological child (with the exceptions of additional costs for any assisted reproductive technologies)

Cons:

- Legal recognition of co-parenting agreements is limited and unclear
- Additional logistics of sharing custody with another person, likely in a separate household
- Requires additional communication with co-parent to ensure alignment in child-rearing

Co-parenting might be a good option if you:

- Strongly desire a biological connection to your child
- Want your child to have a strong connection to their biological mother
- Want to develop a bond with the biological mother of your child and experience the pregnancy process alongside her
- Are comfortable with creating a lifelong bond with a co-parent

Co-parenting, sometimes called parenting partnerships or r "known donor" relationships are when individuals not romantically linked to one another decide they want to build a relationship that will lead to raising a child together. Today, gay men are increasingly turning to straight women to create these relationships beyond simply being a "sperm donor." They are wanting to be involved in their child's life as a full co-parent, sharing custody and responsibility for their well-being.

The rise of co-parenting is largely due to the number of professional, successful adults in this country in their 30s and above who have developed a strong set of values, inspiring life experiences, and significant personal resources — but for varying reasons are currently single or not otherwise in a relationship where parenting with a romantic partner is a possibility.

A co-parenting relationship is just that, a relationship. It's not parenting with a stranger and care must be taken to find the right co-parent who you will be compatible with. Co-parents should have similar goals, values, and outlook on parenting, such that they can start to get to know one another and begin a friendship/personal relationship that may lead to a parenting partnership.

“How long will it take to find the right co-parent?” is a common question. It depends, but there are an increasing number of resources being developed and promoted designed to connect people who want to find a suitable co-parent. After someone is identified as a likely candidate, it’s recommended you take at least six months to a year getting to know each other. This gives each of you the time to decide if you’re truly compatible for a long-term parenting relationship with one another. Although the goal of co-parenting is not to build a romantic relationship with someone, it is a lifelong commitment in that you’ll always be parents to the same child.

For many people, the first few months of a parenting dialogue is an exciting time, but it is not recommended that you jump right to the “conceiving” part. There is a great deal to consider and the priority should be on getting to know one another and assessing compatibility. Talking through a co-parenting agreement with an attorney should be next. Remember, this is a relationship and good relationships are built on a mutual understanding of each person’s role and responsibility. Codifying it in a legal document is a protection against someone changing their mind in the future and leaving you with few options for corrective action. However, please note there is no guarantee a court will enforce a co-parenting agreement, even if it is written. There are very few cases where co-parenting agreements have been actually tested. Generally, courts in all 50 states make decisions based on what is in the “best interest of the child,” not based on a written document created by the parents.

“Does co-parenting mean an even split in terms of time and financial commitment?” is another common question. Not necessarily, as co-parents must come to an agreement of how they’ll raise a child together. Some common considerations might be:

“How close will we live to one another?”
“How much time will the child spend with each of us?”
“Who will be responsible for which expenses?”
“How will we make decisions about school, activities, rules about behavior, etc.?”
“What will happen if one or both of us get married at later date?”

There are literally dozens additional questions to consider and we would recommend engaging a professional third party to help you record those answers so you are both on the same page.

Many men who initially consider co-parenting with the intention to simply be a known sperm donor (i.e., where his identity and contact information is available to the family and his biological child) actually end up becoming significantly involved in the child’s life. One of the reasons you are likely reading this article is that you desire to be a father, not simply a sperm donor. It will be important that you establish a relationship with a co-parent who shares your expectation for being involved in your child’s life.

“How will be make the baby?” is probably one of the biggest questions. Being a gay man creating a child with a straight woman, sexual intercourse may not be an option. Exploring a variety of assisted reproduction options will be likely. In addition, many parenting partners — particularly those in the 35-plus range — may face fertility challenges that require additional precautions.

Andy Miller, MHSE, MCHES, President/Chief Officer, Any Baby Can

Andy Miller is the president and chief officer of Any Baby Can in Austin. Any Baby Can is a non-profit organization that works to strengthen parents and their children through in-house therapies, resource navigation and family support services. Andy and his husband Brian Stephens live in Austin and are parents to Clark.