The Financial Side of Getting Married

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Marriage is a time of celebration and excitement for most couples as they look forward to joining together into a lifetime partnership. Most couples spend months or even years planning and preparing for the big day.

Unfortunately, the same degree of preparation often does not go into planning for their financial lives together after their wedding day. This is reflected in the fact that money and finances consistently rank as the leading causes of marital problems and, ultimately, divorce.

We've created this guide to help you avoid many of the common financial pitfalls faced by couples in marriage. Inside, you'll find tips and strategies to help you coexist financially, as well as a quiz to determine your financial compatibility and a hands-on worksheet that will help you create your own budget.

If you have any questions about the material included in this guide, please feel free to contact us.

Yours, Mine and ... Ours?

Newly married couples face a variety of different challenges, but perhaps none is bigger than co-existing financially.

This shouldn't come as a really big surprise. Think about it: There are two different people coming together who may have very different attitudes about earning, saving and spending money. **Throw in the fact that most couples don't discuss money in any detail before they get married and you have a potentially volatile situation**—one that can lead to unnecessary conflict, arguments and, ultimately, even divorce.

In fact, of all the different things that married couples can disagree about, money and finances have consistently ranked at the top in virtually every survey conducted about marriage and finances. Statistically speaking, disagreements about money are a leading cause of divorce, according to the most recent State of Our Unions report, which is published annually by the National Marriage Project, an initiative established in 1997 that provides research and analysis on the health of marriage in the U.S.

The report notes a paper presented by Jeffrey P. Dew, a faculty fellow at the National Marriage Project, that noted research indicating that weekly disagreement between couples about finances increases the risk of divorce by approximately 70 percent, while this risk is increased by only about 30 percent among couples who disagree about finances less than once per month.

It Starts With Communication

The good news is that marriage and money don't have to be such a volatile and potentially destructive combination. Whether you're engaged and want to start out your marriage on the right financial foot, or are already married and want to minimize financial problems and conflicts, there are concrete steps you can take right now to smooth out your marriage and money.

Virtually all the experts agree that it **starts with open and honest communication** about every aspect of money as it relates to sharing your life together. Unfortunately, nearly two-thirds of married couples who responded to a USA Today poll said they talked very little or not at all about finances before they got married.

This is probably because, let's face it, finances aren't the most exciting topic in the world. It's a lot more fun to talk about things like how many kids you want to have, where you want to live and what kinds of vacations you like to take. **When it comes to that financial conversation, you've got to "just do it."**

Set aside a day or evening (or several, if necessary) when you will each be prepared to discuss such things as your current income, expenses and debt; your attitudes with regard to debt, spending, saving, investing, etc.; and your financial goals for the future, among other things.

Keep reading for more practical tips to help you manage your marriage and money successfully.

Marriage and Money
Communicating Is Critical

Though conflicts about money are the number-one cause of marital strife and, ultimately, divorce, marriage and money don't have to mix like oil and water. Consider these seven steps to achieving a healthy relationship between your marriage and your money.

1. Learn each other's financial personalities.

Everyone has certain financial inclinations that are part of their natural personality. Savers vs. spenders, debt attraction vs. debt aversion, and high-risk vs. low-risk (with regard to investing) are a few good examples. If you're open and honest in your financial discussions, these will become apparent and you can go into your marriage aware of them and how they will impact financial decisions you make as a couple.

Often, conflicting financial personality traits—maybe you're a saver and she's a spender—serve a marriage well, as the extremes can help offset each other and make it easier to find a middle ground. **However, research* has identified distinct financial types for whom it may be more difficult to co-exist.** Examples include a risk-taking "high-roller" and a high-achievement money "hoarder," or a financial "perfectionist" who over-analyzes money decisions and a "producer" who has trouble making decisions at all.

2. Assign financial responsibilities.

After you've talked openly and honestly about finances and gotten a good feel for each other's financial personalities, you should have a good idea of which of you is best suited to handle specific financial responsibilities.

Sometimes, it's obvious that one partner is the perfect candidate to handle the bulk of the family financial tasks like bill paying, saving and investing, retirement planning, etc. Even then, though, **experts stress that *both* partners should have a hand in family financial management.**

For one thing, this will help prevent misunderstandings and arguments in the event of financial setbacks or crises (like a major expense or loss of money due to falling markets). Perhaps more importantly, this will make it less likely that one spouse has to pick up the financial pieces with little or no knowledge of the situation should his or her spouse become incapacitated or die unexpectedly.

THE FINANCIAL BENEFITS OF MARRIAGE

There are lots of benefits to getting married, including financial benefits. These usually include:

Tax savings—The dreaded "marriage tax penalty" has been relieved—at least for now, pending new developments in tax legislation.

Lower insurance rates—Auto and other insurance discounts are usually available to married couples that use the same insurer.

No estate tax—While the estate tax has been eliminated in 2010, it may reappear in 2011, pending year-end developments in tax legislation. If it does, the $1 million estate tax exemption will not apply to spouses leaving property to each other: Unlimited amounts can be left to spouses estate-tax free.

Social Security benefits—Widowed spouses and those divorced after at least 10 years of marriage are entitled to receive Social Security benefits on their deceased or ex-spouse's record if this would result in benefits that are greater than their own.

** Understanding Your Financial Personality (1999), Kathleen Gurney, Ph.D.*

3. Discuss the merger and/or separation of finances.

Obviously, you and your spouse will likely come into marriage with your own separate assets, be they checking, savings, investing, retirement or other accounts. **The combining and/or separation of these assets can be one of the most touchy and sensitive areas of marriage and money.**

There tend to be two schools of thought here: One is that the assets should remain mostly separate, with spouses continuing to fund their own accounts from their own earnings after marriage, and then split all living expenses either equally or proportionally (based on each spouse's income). The other is that the assets should be merged together into joint accounts that are co-owned by the couple and used to pay living expenses and for savings and investments.

Each couple should decide for themselves which method will work best for them. Or, you can find a middle ground between these two options: creating a joint checking account to fund living expenses while maintaining separate savings and investing accounts, for example, or allowing each spouse to have a certain amount of "mad money" he or she can spend however he or she wants even though all the other assets are combined in joint accounts.

4. Deal with debt.

Debt is often the elephant in the living room that neither partner wants to talk about. But there are few issues (financial or otherwise) that have more potential for conflict and marital strife than debt.

If either you or your spouse will enter the marriage with substantial debt—whether it's credit cards, student or car loans or even the cost of the wedding itself—it's important to share this with each other before you walk down the aisle. Waiting until after you're married to tell your spouse that you're carrying thousands (or tens of thousands) of dollars in consumer debt is unfair, dishonest and disrespectful.

With all the debt cards laid out on the table, you can come up with a plan for dealing with it. **In fact, paying down the debt as soon as possible could be one of the first financial goals you tackle together.** Then agree on a philosophy for debt going forward in your marriage together.

For example, maybe you'll decide that consumer debt is completely off-limits, with the exception of a home mortgage and perhaps car payments. Or maybe you'll agree that using credit cards is OK, but you'll pay off the balance each month to avoid interest charges and revolving debt. The point is that, whatever you decide, you agree on it together.

5. Create a budget.

Yes, we said it—the dreaded "B" word. Depending on your financial personality, you likely either clap or cringe when you hear the word "budget." If you clap, you can probably skip to the next section.

But if you cringe, that's OK. Use a different word—maybe a financial plan or guideline, or whatever makes you comfortable. **The point is that you and your spouse must sit down together and determine how much money comes in every month and how much goes out**, and then devise a plan to ensure that there's more of the former than the latter.

The first step in budgeting for most people is what's sometimes called a NOW analysis, in which you distinguish between your Needs, Obligations and Wants. See the sidebar for more on creating a budget using NOW.

6. Be realistic.

If you've never worked through it before, the budgeting process (or whatever you want to call it) will likely be a reality check for you, your spouse, or both of you. It will probably force you to make some hard decisions and trade-offs that may be uncomfortable at first.

Many people enter marriage with rose-colored glasses, perhaps envisioning the financial stability and possessions of their parents and those they enjoyed growing up. What they don't necessarily understand is the years of hard work, planning and sacrifice their parents made to achieve that stability.

So don't expect to possess all the trappings of success right out of the gate—the big house in the suburbs, two fancy cars or lots of grown-up "toys." You may need to plan on renting a small apartment the first couple of years until you can save up a down payment on a home, or driving a "beater" a few years longer if it still gets you from point A to point B.

7. Get outside help.

Finally, remember that you're not alone in this process of learning how to manage your money together. There are numerous resources available to help you, from countless books, DVDs and seminars to your clergy (many churches offer pre-marital counseling that focuses on finances) and professional financial planners.

RESOLVING FINANCIAL CONFLICTS

Money is one of the primary causes of conflict within marriage. Here are a few steps you can take to help avoid a conflict.

Focus on the long term. It's easy to squabble over little day-to-day things, like why your spouse spent $5 on a cup of coffee or $15 on a manicure. Instead, take your focus off the little things and find agreement on the big picture, like how you'll accumulate a down payment for a house or save for your retirement.

Don't keep secrets. Trying to hide large purchases or credit card debt is akin to "financial infidelity" and can be just as dangerous to a marriage as cheating with another man or woman.

Save automatically. Having a hard time getting into the discipline of saving? Make it automatic by arranging to have a set amount of money transferred from your bank account to a savings or investment account every month. It's the best way to "pay yourself first."

Use the envelope system. It may sound old-fashioned, but it works. At the beginning of each month, stash some cash in separate envelopes for non-essentials like eating out or going to the movies. When the money's gone, so is that activity for the month.

Put your credit cards "on ice." Literally—fill a bottle with water, drop your credit cards in and stick it in the freezer. Then, the next time you're tempted to buy something on credit, you'll have to wait for your card to thaw out—and by then, you might decide you don't really need it after all.

Have a "money date night." Spend an evening together each month paying the bills and talking about your finances: where things stand (be sure to celebrate financial successes), areas that need improvement, and your hopes and dreams for the future. Order a pizza or Chinese food and make it fun!

Share financial responsibilities. Even if one of you is the "financial guy or gal," you should both have at least some responsibility for finances and have a general idea of the family's financial situation and goals.

Money and Marriage Quiz

What's Your Financial Compatibility?

Compatibility is one of the keys to a successful marriage, and this includes financial compatibility. To see how financially compatible you and your spouse may be, take this simple quiz. Answer "true" or "false" to each question and then see how you rank on the financial compatibility scale:

1. _____ (T/F) My spouse and I are aware of and comfortable with each other's financial personalities.
2. _____ (T/F) We have discussed our short- and long-term financial goals.
3. _____ (T/F) We are both well-versed in personal finance.
4. _____ (T/F) We have discussed a plan to structure our finances.
5. _____ (T/F) We have planned for the impact that marriage will have on our taxes.
6. _____ (T/F) We have decided how to divide up money management tasks.
7. _____ (T/F) We understand the importance of establishing a realistic budget.
8. _____ (T/F) We have made a commitment to discuss money regularly.
9. _____ (T/F) I know my spouse's investment personality and risk tolerance.
10. _____ (T/F) I know how much debt my spouse is bringing into the marriage.

How do you rank?

TRUE (8-10)

Answering "true" to eight or more statements indicates that you and your spouse are well on your way to a stable financial future. But don't relax now—you must continue to communicate and work together financially.

TRUE (5-7)

If you answered "true" to between five and seven of the statements, you and your spouse should devote some more time to planning your financial future together. With some more effort, you may be able to achieve financial compatibility.

TRUE (0-4)

If you answered "true" to fewer than five questions, you've got some work to do to reach financial compatibility. Consider meeting with an experienced financial planner who can help you start your marriage on a firm financial footing.

Create a Budget NOW

When they hear the word "budget," lots of people immediately tune out. If it helps, avoid using the "B" word altogether. Call it whatever you want—the most important thing is that you devise a spending plan that ensures there's at least enough money coming in every month to cover your expenses.

Start by listing all of your monthly expenses according to the NOW acronym: your Needs, Obligations and Wants. For example:

Needs	**Cost**
Shelter (mortgage or rent)	$ _____
Utilities (electric, gas, water, etc.)	_____
Food (include all groceries)	_____
Transportation (car payment(s))	_____
Clothing	_____
Obligations	
Insurance (auto, homeowners, health, life, etc.)	_____
Debt (credit cards, student loans, etc.)	_____
Savings	_____
Miscellaneous items (cable TV, cell phone, Internet, etc.)	_____
Alimony and/or child support	_____
Wants	
Entertainment (movies, dining out, vacations, etc.)	_____
Health/country club membership	_____
Boat/RV/motorcycle/etc.	_____
Charitable contributions	_____
Other	_____
Total Expenses	**$** _____
Total Income	**$** _____
Leftover or Excess	**$** _____

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