

Tangible Solutions

Financial Information to Meet Your Needs

Fall 2009

Introduction

Many of my clients are seeking useful information to help them make educated decisions on financial matters. Each issue we will focus on a specific topic and provide pertinent information which I believe that you will find valuable. If you have a suggestion for a future topic or concern, please let me know. I look forward to your input and feedback.

- Sandy Voit, Publisher, *Tangible Solutions*

FOCUS: Newlywed Money Matters

*Whether this is your first trip down the aisle or a repeat visit, communicating about financial issues is crucial to a successful marriage. Merging two different financial styles can be fraught with conflict, and ignoring them can lead to disaster. Happily ever after is what we all seek, and yet often couples don't want to engage in asking each other how they handle money matters. Here are some **common financial mistakes** couples make:*

Keeping money secrets: Money, or rather how you spend and save it, is perhaps the most common cause of arguments in a marriage. Some of the most heated arguments arise from failing to discuss financial backgrounds, expectations and attitudes from the very beginning. Communication is the key to the survival of any relationship, and baring your financial soul to your partner is no exception.

Ideally you want to have this conversation *before* walking down the aisle. After all, there are good marital surprises ("Didn't I tell you I'm a great chef?") and bad surprises ("Didn't I tell you I have \$20,000 in credit-card debt?"). Full disclosure is in order here -- and that includes your shoe fetish or gambling habit.

Not having a budget: Merging two spending habits and two saving habits into one household is not as easy as it may sound. Even if you had a budget when you were single (congratulations!), you've got to make a new one with your spouse to include his or her income, debts and monthly expenses.

Use a budget worksheet to start. Your first step is to write down your fixed expenses -- such as your rent, car payment, insurance premiums and student-loan payment. You should also make a habit of contributing to your savings or investments as if you were paying a fixed bill each month. Then write down your necessary, but variable expenses, such as utility and phone bills, transportation costs, and groceries. Then add discretionary expenses, such as recreation, entertainment, trips to the ATM, and miscellaneous purchases. Track your actual spending for a couple of months to see where your money really goes, then find the spending leaks and plug them. Building a budget is a great way to set common spending and saving goals, identify problems, and work together to fix them.

Giving one person the financial reins: The honeymoon's over, and it's time to get down to the nitty-gritty of the daily finances. Who will physically pay the bills, monitor the investments and crunch the taxes? One person may be more inclined toward these tasks, or you may decide to split the responsibility or trade off each month.

There's nothing wrong with letting one person take over the family finances, as long as both partners are okay with that decision. But that doesn't mean the other partner should be excluded. It's important for each person not only to feel involved in the big financial decisions but also to have an understanding of the day-to-day finances. You each need to know all your different account information, passwords and bill due dates in case anything were to happen to the other person. And no matter how you divide the

responsibility, it's a good idea to have a regular "money date" each month or so, to make sure each of you is in the know. You should go over your budget, review your savings progress and discuss upcoming expenses together.

If you choose to combine your finances after you wed, make sure that major purchases and savings accounts are held in both of your names so that each of you has equal access and can maintain a credit rating. You don't want to find out in the event of a divorce that your name wasn't actually on the car title or savings accounts.

Dragging debt down the aisle: What's his is hers, and what's hers is his. Whether you decide to combine your finances or maintain a separate approach, if one of you brought debt into the marriage, it becomes a problem for both of you. You'll need to work together to come up with a plan to pay it off. However, you should never officially commingle your debt. Doing so could hurt the credit score of the other partner and make it difficult for one or both of you to get credit later. Keep existing credit-card and loan accounts in the original holder's name.

If you can help it, it's best to avoid beginning your marriage in the red. Many newlyweds make the mistake of going too far into debt to pull off the wedding of their dreams, go on an exotic honeymoon, or buy brand-new furniture and appliances for their home. Before you dig too deep, you should sit down together to determine which expenses are necessary and which are worth a splurge -- and come up with a plan to pay for it all *before* you spend it.

Sweating the small stuff: Marriage is about making compromises and simply letting some things slide. So she squeezes the toothpaste tube from the middle, and he doesn't pick up his socks. Big deal. You'll both soon learn to pick your battles and save your energy for issues that really matter. That goes for picking your money battles, too. For example, if you prefer a name brand chocolate chip for your home-made cookies, and your spouse only uses generic chocolate chips, shopping together might cause an argument -- all over 50 cents. Don't sweat the small stuff. Was the argument really worth 50 cents? No way.

Of course, if all the little stuff is adding up to a big drain on your finances and causing you to live beyond your means, bring it up at your next money date and work together to find ways you can *both* cut back. (Ah, there's that compromise idea again.) But take note: It's important that you build a little "mad money" into your budget for each person to spend at his or her own discretion. (Can you imagine asking your spouse for permission every time you wanted to buy a cappuccino and a muffin, or grab a drink with some friends after work?) But as far as the big stuff goes, make it a rule to consult the other on major purchases. You don't want to come home and unexpectedly find a brand-new Mercedes in the driveway, and the bill that goes with it.

Failing to plan for an emergency: No one likes to think about bad things happening, but in all the excitement of your engagement -- planning your wedding and moving in together -- it's easy to overlook this important aspect of financial planning. One of the best gifts you and your spouse can give each other is financial security and protection from life's storms.

First, assess your emergency stash of cash. Every couple should have enough money available to cover from three to six months' worth of living expenses. You never know when the car will break down, one of you will lose a job or you'll have an unexpected medical bill. Learn about how to build your financial foundation and where to keep the money.

Then, you need to make sure you have adequate insurance coverage, including health, auto, renters or homeowners, and possibly life insurance. Learn more about the types of insurance everyone should have, and how to get the appropriate coverage.

Did you get married without a prenuptial agreement? It's not too late to protect the financial interests each partner brought to the marriage. (This may be especially true when you have each been married before and there are children from those relationships.) Consider drafting a post-nuptial agreement with your lawyers. Plus, make sure you each have written a will to divide your assets in the event of your death.