Unbiased Financial Information Provided by Financial Wisdom.

Marriage and Money – Yours, Mine and Ours

If you are newly married, or planning on getting married soon, be sure to allocate some time to considering some of the financial aspects of marriage. Marriage will change how you handle your finances, and it can also be the source of anguish in a marriage. Here are some things you may want to consider:

Some discussions before your wedding day
After you are married, you and your spouse will be financially responsible for each other and to each other. This responsibility includes legal things like being liable for joint debts and filing a joint income tax return and physical things like putting food on the table and paying the rent.

But, it also has an emotional aspect. You owe each other openness and honesty about discussing your finances. The chances are that you and your spouse bring different financial backgrounds to your marriage. One of your families may have been more affluent, one of you may be more inclined to use credit cards or one of you have better financial organizational skills. One may be very interested in financial matters and the other may not care as long as there is money in the bank to pay the bills.

Over time, the financial tendencies that you bring to your marriage will probably be blended into a financial lifestyle that both of you are comfortable with. To help that blending process, consider spending some time, perhaps an evening alone, where you discuss your finances and perhaps even agree on some financial policies.

- Are you going to have individual checking accounts on a joint one?
- How much of each of your incomes is going to be used for normal household expenses?
- Who is going to be responsible for actually writing the checks for monthly bills?
- How are you going to approach things like how often to buy cars, how are you going to use credit cards, how expensive of vacations are you going to take or how much risk do you want with your investments?

There may not be perfect answers for these questions, but the discussion will be valuable. Here are some ideas that may make some of the conversation easier.

Issue	**Potential ways to approach the issue**
How many checking, savings and credit card accounts are you going to have?	Even though you will be married, each of you will remain you own person and should continue to have individual accounts, especially individual credit cards. Each of you will have your own credit report.

	Consider continuing to have your wages deposited into your individual accounts and then transferring funds monthly into a joint account that is used for your monthly expenses. If you have different credit card habits, you may want to pay your credit card bills from your individual accounts.
Whose income will be used for household expenses?	Each of you will have different levels of income. While it may sound attractive for one income to pay the bills while the other income is dedicated to saving, this can often lead to hard feelings. Consider splitting the financial responsibility for monthly bills in the same ratio as your incomes. If one of you has monthly income of $2000 and the other has $3000, split the expenses 40% and 60%. If your monthly expenses are $4000, transfer $1600 and $2400 respectively from your individual accounts into a joint account where you pay these bills. That way, each of you is contributing and you are both saving money each month.
Who is going to pay the monthly bills?	Paying bills each month is a task that must be done. Consider switching responsibility a couple of times a year so it does not become too much of a burden on either of you. Even if one of you has the actual check writing duty, be sure to discuss your bills each month. It is important that each of you know what is happening financially.
What about a prenuptial agreement?	A prenuptial agreement is a legal contract that specifies how a couple's assets would be divided in case of a divorce. In general, assets that are brought to a marriage and that stay in an individual's name remain the property of that individual. Assets that come to the marriage after the wedding day are usually considered jointly owned assets. As a practical matter, over time the source of assets usually becomes blurred and can be an issue in a divorce. Previously, these agreements used were mostly used by wealthy people to protect assets they were bringing to a marriage. Recently, they have become more common for couples of all wealth levels. They can also be used to help spell out some of each person's expectations (who will work, who will stay at home with a child) and how any inherited assets may be treated. If there is a family home that has been

	passed down through the generations, you may want an agreement that specifies how it may be treated in case of a divorce. An agreement may also be wise if one party has significant debts. If one of you has considerably more assets than the other, or if there is an expectation of a significant inheritance, you may want to consider a prenuptial agreement. If you do, each of you will probably need an attorney because the rules can be complex and different states treat these agreements differently.

Common problems to avoid

Many couples have some disagreements over how much money each person is spending, either on themselves or overall. It may take some time to find a comfort level of spending. The key is to discuss your spending before it becomes a big issue.

Another common problem is where one spouse ends up completely uninformed about their financial status. Even if one of you is more comfortable handling the finances, be sure to keep the other one informed. Not knowing how much money is in the checking account can lead to bounced checks and potentially a feeling of being taken advantage of.

As you grow as a married couple, be sure to have discussions about long term financial goals. Knowing how each other feels about saving for retirement, taking risks with your investments or how much current financial sacrifice you are willing to make saving for a child's college education is important. Discussing these things may not only avoid a problem, but may actually bring you closer together.

Some practical things to address

When you marry you need to consider how your beneficiary designations are set up on your retirement plan, IRAs and life insurance policies. You will probably want to designate your new spouse as beneficiary. You also need to notify the Social Security Administration of your new status.

If you are changing your name, you will also need to notify institutions like your bank or credit union, employer, Department of Motor Vehicles and companies where you have accounts.

Conclusion

Getting married is a big step in your personal life. It is also a big step in your financial life. Get to know your partner financially before you are married, discuss your finances often and you may find that these financial discussions will bring you even closer together as you dream of your future.