

LOVE & MONEY



Money is one of the main causes of marriage problems. Learn the money topics couples can discuss prior to marriage in order to help avoid problems after the wedding.



Financial Topics of Discussion Before Marriage

Saver vs. Spender – Money attitudes are deeply imbedded based on a person’s background. Some people tend to be “savers” who value security while other people tend to be “spenders” who value spontaneity and immediate gratification. Listening to your partner’s background will help you understand your partner’s attitude toward money. If both persons are spenders, a budget needs to be established immediately!

Current Debts – Each person should come forward with any debts before the marriage. Telling your spouse of previous debts after marriage can lead to a loss of trust. Discuss the reason for the debts. If debt was caused by extravagant spending, discuss methods of preventing future debt. Discuss a plan for repaying the debt. Don’t be ashamed of student debt!

Credit Scores – Your credit scores will be important when trying to obtain a mortgage or other loans. Both of you should obtain your annual free credit reports at annualcreditreport.com. The credit report contains a credit history of previous loans and payment history. If there are errors in the credit report, you should have them corrected. Once the credit report is correct, you may want to order credit scores which use the credit report to determine a numerical score. The most commonly used credit score is the FICO score which was developed by the Fair Isaac Corporation. FICO scores may be purchased at myfico.com. The score results should be discussed, especially if the scores are low. No FICO score simply means the person probably has never had any debt.

Wedding Planning – The process of working as a team in order to achieve a successful goal often begins with the wedding planning. Couples should ask themselves the following questions during the planning process:

- What are our priorities?
- What type of a wedding do we want?
- How large of a wedding do we want?
- How much can we afford?
- Who will be paying for what?
- Are we putting a financial strain on our parents?
- How long will it take to pay back any debts?

A wedding worksheet is available to help with setting the budget and determining the payment responsibilities. The best plan is to save and pay cash for the wedding so there won’t be any debt afterwards. If there will be debt, couples should make a plan to pay all debt within one year. Taking longer than a year will delay achieving future financial goals.

Financial Goals – Each spouse should write down individual dreams, both short-term and long-term. Examples may be to purchase your dream home, save one million dollars or take a special anniversary trip (to an exotic island of your choosing.) Both spouses’ dreams should be merged and a plan established to set goals both will work to achieve. A specific saving and investing plan can help achieve your goals. Financial goals should be reviewed at least annually and modified as needed.



Financial Responsibilities – Couples should agree on how they will track spending and who will pay the bills. Try to use each other's strengths in dividing responsibilities. Many bills can be paid by automatic payment. Couples also need to determine how savings and investing will work. Many couples have success with their investing by having money for investments sent automatically before the funds can be spent on other items. Set time for a monthly scheduled meeting to discuss spending, savings and investments. Both of you should participate in financial decisions.

Insurance Needs – The need for life insurance likely will increase after marriage. You probably want to make your spouse the beneficiary of any existing life insurance policies. Life insurance requirements rise significantly once you have children. Term life insurance is an inexpensive option for many couples. Health insurance is absolutely essential to cover medical needs. Make sure you have a policy to cover future medical problems you may have. You also may want to look into disability insurance to pay for bills should either spouse be incapacitated for a significant amount of time.

Prenuptial Agreement – A prenuptial agreement is a contract between two people planning to be married that specifies how property will be distributed should the couple divorce. If a couple decides on a prenuptial agreement, it's recommended each partner hires his/her own attorney. As part of the prenuptial agreement, each partner will disclose the full amount of income, assets and debts. These agreements are especially useful if either partner owns significantly more assets than the other partner, has children from a prior marriage, owns a business or is in a partnership, is likely to earn a hefty salary in the future, or is paying for their partner's advanced degree.

Spending Plan (Budget) – A couple needs to develop a written spending plan that works for both of them. Track expenses for a month and establish a plan together. Review the plan at least once a month. Establish an emergency fund that will cover 3-6 months of expenses. Each person needs a "no questions asked" portion of the budget where they can spend money on anything (as long as it is not illegal or immoral). This may be a small amount in some budgets, but it is important to have some money set aside for this category.

Investments – The earlier you can start investing your money, the sooner you can take advantage of the miracle of compound interest. Try to "pay yourselves first" through automatic deposits. This money will be automatically invested before you have a chance to spend it on other items. Set a goal of investing 10%-25% of income. If both partners are working, try living on one income and investing the other. Consider investing in Roth IRAs which allow investments to grow tax-free and be withdrawn tax-free provided certain provisions are met. If you and your spouse invest \$8000 at the beginning of every year and your investments average a 9% return, you will be millionaires in just over 28 years.

Legal Documents – Make sure you both have an updated will along with a financial power of attorney, healthcare power of attorney, living will and any other legal documents you may require.

Hiring a professional – Consider hiring a fee-only CFP® who can assist you with decisions on housing; the amount needed to invest in order achieve financial goals; debt repayment plans; mutual funds, index funds and other investment options; insurance needs; and methods of completing wills and other legal documents.

Financial Aid – After you are married, you can file the Free Application for Federal Student Aid (FAFSA) as an independent student. As an independent student, you will report your and your spouse's income and assets. If you have already filed the FAFSA as a dependent student, contact the Office of Scholarships & Financial Aid to evaluate whether it would be prudent to apply for a change in status.

Final Recommendations

Work as a team to accomplish your financial goals.
Share financial responsibilities based on your strengths.
Establish a written spending plan that works for both of you.
Make spending and investing decisions together as a team.
Schedule regular meetings to review your finances.
Have fun watching your assets grow!