MONEY AND MARRIAGE

A guide to domestic financial bliss

WealthAdviser

Contents

Before you get started

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Information in this handbook is no substitute for professional financial advice.

We encourage you to seek professional financial advice before making any investment or financial decisions. We would obviously love the opportunity to have that conversation with you, and at the rear of this handbook you will find information about our authorised representative and how to go about booking an appointment.

If ultimately you decide not to meet with us we still encourage you to consult with another suitably licensed and qualified financial adviser.

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Letter from the Wealth Adviser Library

Dear Reader

Welcome to the Wealth Adviser Library

This library was built specifically to facilitate the provision of sound financial information to everyday Australians.

Our mission is to build an accessible, comprehensively supported team of members who share our vision and commitment to providing tailored financial advice and a new foundation of financial understanding and security for everyone.

With a national network of likeminded experts, we have the potential to provide the financial building blocks for future generations.

Knowledge gives you a huge advantage

We believe that knowledge gives you a huge advantage in creating and effectively managing wealth; in planning to reach your goals; and in being prepared for whatever unexpected twists and turns life may present.

That's why our team of experts has created this series of digital handbooks and manuals that seek to inform you of not only the benefits but also the potential risks and pitfalls of various strategies and investments.

We trust you enjoy this publication and find it informative and professionally presented. Of course, your feedback is always welcome as we strive to continually offer content in a format that is relevant to you.

Take the next step

Wealth Adviser (a division of WT Financial Group Limited) supports more than 400 privately owned and operated advice practices around the country. We invite you to engage with one of our advisers to discuss what it was you were hoping to achieve when you obtained this handbook, and to establish if they can help you achieve your goals and objectives.

At the rear of this handbook you will find details on how to book an appointment.

Wealth Adviser Library

Introduction

Wanted: debt-free, risk-averse saver seeks fiscally responsible soul mate for long term, economically stable union. Compulsive spenders need not apply. If you're interested in a merger, please send balance sheet, and credit records to smartybucks@dollars.com.

This may not be how most people find their life partners, but more couples would certainly avoid many pitfalls if they proceeded with such an ad. If you were to ask a happily married couple why their marriage works, they're probably not going to say it's because they found their financial soul mate. But does love really conquer all? Or can money conflicts doom romantic relationships?

For many couples, the true test of compatibility comes when they merge households: the cookware, the cutlery and two financial lives, with all the accompanying baggage.

The relationship between marriage and money

Marrying a person who shares your attitudes about money might just be the smartest financial decision you will ever make. In fact, when it comes to finances, your marriage is likely to be your most valuable asset –or your largest liability. The simple truth is that sex aside (by the way when money becomes an issue, sex inevitably suffers), money is one of the greatest sources of relationship stress and one of the key areas in which couples flounder, unable to find common ground. It's all to do with differences between the sexes, the changes in roles, personality differences, and poor communication strategies and, increasingly, the often suffocating pressures of the cost of housing today.

Today we experience partnerships of all shapes and sizes – young marrieds, marriages with one partner already with children; marriages with one or both partners previously married; older person with wealth marrying younger person without assets. One person is a very high income earner; the other a part-time worker. There are so many permutations and combinations today where assets and money play such a strategic and powerful role that a good relationship must navigate the money issues – or not, and then be faced with peril. Couples fight about money due to:

- control and power imbalances
- differences in personalities
- differences between how men and women deal with conflict
- role reversals not being adequately negotiated
- Differences in values
- ignorance (about money and finances)
- poor communication.

We're years into the new millennium but marrying for love is definitively a 20th century phenomenon. For centuries, marriages were arranged affairs, aligning families for economic or political purposes or simply used as a tool for pooling the resources of those scraping by. Even today, in some cultures the issues of dowries and pre-nuptials predominate on the agenda and greatly precede affairs of the heart.

Marriage is a financial union, too.

Nevertheless, two people coming together to share their lives want happiness, family and prosperity. It is worth investing in some planning about finances –especially if this planning is done from a loving and mutually respective place.

Too much is at stake –marriage at its core is still a financial union. So much of what we want — or don't want — out of life boils down to dollars and cents, whether it's how hard we choose to work, how much we consume or how much we save.

For some people, it's working 70-hour weeks to finance a bigger house or overseas travel; for others, it means stepping off the career treadmill to spend more time with the family.

You cannot escape the pivotal role of money in our lives today; for sure we would all like to have sufficient money to do what we want and to not have to worry about it. But for couples early in their marriages a lot of the debates people have about money are code for how they want to live their lives. A lot of the choices we make in how we want to live our lives involve how we spend (and save) our money.

Making those choices as a team is one of the most important ways to preserve your relationship assets whether they are formalised in a marriage or more informally through de- facto, living together situation. But it's that much easier when you already share similar outlooks on money matters — or when you can, at the very least, find some middle ground.

Investing time and energy and commitment to working together has obvious advantages. After all, a divorce is an economic division of assets, so partnering up is a business proposition. The economies achieved by pairing up are fairly obvious. However, the costs of divorce can be financially devastating, especially when children are involved. And, not surprisingly, money manages to force a wide wedge between many couples. Indeed, Relationships Australia has published data indicating that money is one of the biggest factors cited as contributing to relationship breakdown and certainly stress.

Your money personality

Young people who have not lived for any length of time with a partner experience a reality check when they move into a 'loving' relationship; they are (mostly) not getting together with a financial twin. That's not necessarily a problem. We may have common, shared interests and probably share some core values and dreams, but we are probably if anything, very, very different personalities. And personality types have very different 'money personalities'.

Your money personality describes the person you are around money and it is formed from parental attitudes and behaviour and your life experiences though childhood to adulthood.

A child of immigrant parents who grew up penniless and in a home of anxiety and financial stress will have an entirely different attitude to money than a person who came from a comfortable and secure middle calls background and went to private schools. When two people come in to a relationship and bring their different set of money values together, then awareness of difference is important. It's a time when communication and allowances for difference are critical to the avoidance of stress, worry, and conflict. A planned approach sets up a pattern of constructive talk.

There are several ways that you and your significant other can become more compatible, and ultimately more prosperous, when it comes to money. As financial experts we are of course not counsellors but some of these ideas are gleaned from life experience and from people who are experienced counsellors and mediators as well as educators.

Money talk: discovering your attitudes, beliefs and values

Before signing the matrimonial declaration, couples need to talk about their dreams and goals. This of course comes naturally in the sense that dreams are often the glue that brings people together. Here we are talking about a conversation about attitudes, values and differences.

For example, although the overwhelming majority of people want children together, how many go through the exercise of planning it from the financial perspective. For sure most couples look at the cost in terms of loss of income in the case of stay-at-home parenting but this has manifold considerations. Sometimes the woman is the primary earner and strongly committed to a career.

This then is an important financial equation; couples need to put all the financial facts on the table. Couples need to review their household finances and come to an agreement on issues such as repaying debt. Other times, the loss of one income, say the woman's, can put enormous financial strain on the family and thus place the father in a situation of undue stress.

It is a given that both want the best for the family, but financial pressures can create rifts quicker than a blink of the eye when issues are not discussed and when futures are not planned.

Life partners need to put time aside very early in the relationship to discuss family matters with great openness, even if it requires some mediation, for example seeking the advice of a financial adviser or counsellor.

One-time communication is hardly the end of the matter. Issues arise all the time and family finances tick over continuously.

- It's entirely appropriate to set regular meetings to discuss family finances. You can be sure if there are issues unrevealed then these have the potential to fester and create problems later.
- Weekly may be too often, monthly may be okay; try a combination and discover what works. And be sure to make the setting non-confrontational and relaxing. It doesn't hurt to go out for dinner or coffee to do the job.
- Remember some issues are sensitive to one or both partners which is why having a third party to facilitate discussions can be beneficial. Be prepared to be honest but learn that good communication allows the other space to speak –without interruption.
- Be prepared for robust but mutually supportive talking.
- Set goals together. If you find a common theme about savings, for example, then exploit it. Where two come together with a strong intent to save, then this can be celebrated. The cardinal rule is not to interrupt each other's savings. Best expressed as a percentage, some couples we have advised save between 10 and 20 per cent of their salaries each year. As long as they agree in advance, they were less likely to disagree about spending in future.

Remember; dream building and goal setting can be fun!

Be business-like

Budgets can be bit dreary but spending plans are essential if you don't want to sink into a debt quagmire. It is simply too easy at a time of easy credit (credit cards, store cards, personal loans) to consume one's way into trouble.

Here the ground rules are simple:

- Ensure that no significant spending falls under the radar of the partner. In other words, agree in principal on what constitutes 'normal' spending on a week-to-week basis by identifying all the expenditures that you as a couple will encounter. (Remember too, if one or both partners have prior obligations such as child care then that should not, as a rule, appear on the couple's point list).

Identify these into categories:

- Food and groceries
- Rent and mortgage
- Loan repayments
- Other regular; such as home, car and life insurance
- Entertainment and recreation (e.g. gym membership, club fees)
- Telecommunications expenses: mobile phone, telephone, internet, cable TV
- Medical and dental, pharmaceutical
- Then under a loose category, are out of pocket expenses which would include the morning café late, the newspaper, DVD hire and the like.

By identifying the categories and notionally marking their value you can achieve some good outcomes here. You will have a sense of your own spend and hence what is possible for you to save; and you will be able to self-regulate your own spending behaviour by agreeing on some benchmark spending figures. If (sadly) you are a smoker, for example then that expenditure needs to be agreed on between the partners otherwise it can become a sore point.

The same applies to alcohol consumption. If you have been used to long restaurant lunches this to needs to go into the 'partnership' basket.

None of this needs to be difficult. Most couples allow each other leeway, but there are risks involved if you don't have 'the talk'.

The second aspect of the business approach is to allocate 'management' responsibilities. Due to inherent personality differences in relationships and, indeed level of interest, it is almost always the case that one partner is more inclined (and perhaps able) to take care of the family finances.

This does not mean they are dumped with all the responsibility –it is partnership after all! As in any business situation, roles are demarked and it is certainly better to mark the roles up according to strengths rather than weaknesses.

Responsibilities ought to be shared but some things are routine and need to be taken care of by one person. These days with electronic banking there is minimal time spent paying bills so it is simply a case that one person has the responsibility of ensuring that the bills are paid. Married couples should assign a spouse to oversee family investments. If you've hired a financial adviser, you're the point person for that consultant.

It may be useful then for the other partner to be responsible for example for investment decisions. These could be as simple as opening up savings accounts or as complex as running an investment portfolio or dong the property search when that is on the agenda. You might also try rotating the roles say every six months or maybe yearly.

Relationships need mutual support

Apart from good health and children there are few things more important than our careers and care needs to be taken to be tuned in to each other's needs and aspirations. Whether it be launching a business, advancing a career, studying for a new career, returning to the workforce, these are issues that are crucial to financial wellbeing. Indeed, mutual career support is the pivotal issue in building healthy family finances.

The examples are numerous. Consider for example the case of one partner seeking to go into private practice in a consulting business or as a practitioner from a position of full employment. The issues are obvious: the risk of letting go a salaried, regular income to one of some uncertainty and risk. It is obvious that one partner cannot do this alone. The other partner, if they are employed will at least for a period of time need to shoulder the responsibility of underwriting the family income. In some cases, this can be extreme where a practice or venture may take time and capital investment before income is generated. Income and loans need to be secured, so it is very much a partnership decision.

This can be an exciting and nurturing time where incredible bonding and mutual respect can take place so make the investment and share the burdens.

Pick up any personal finance book today and you will inevitably find a note on 'emergency' fund. The idea is that s…t happens. People lose jobs, expenses hit suddenly. Cars break down.

There are dozens of not-altogether-extraordinary things that will hit the spending plans and throw holes into the best laid plans. You can have an emergency fund. You should. But equally important is the ability to raise funds for any emergency.

One of the easiest sources of emergency funding (apart from savings) is a line of credit. Lines of credit can be established by applying for one from the bank if you have a mortgage and have been in your home for more than a few years. This line of credit is based on the equity in your home and can readily be available (for a small fee and if your equity in the home is great then 20 per cent of the home's value). In the absence of this a useful line of credit exists in credit cards. Here the ground rule is simple but direct: pay it off each month in full, that way you are able to (potentially) draw the unused credit is the case of an emergency. For sure, it is more expensive than a bank line of credit, but emergencies do not come up every day so it is more for peace of mind than a revolving line of credit that gets continuously used.

We also believe that fun money is just as important as emergency funds. Have some money there for enjoyment –like a weekend away or a special diner, or whatever. Life is meant to be enjoyed!

When common sense fails

Like any partnership, there can be times when the differences are just too great. If you discover at the outset that your behaviour's and beliefs are just too wide to find a compromise position –for example you may have powerful yet divergent opinions on debt; about how much to borrow for a home purchase. It is true that income will determine your limits of affordability but often one partner has a strong aversion to debt and needs coaxing about the benefits (and risks) of borrowing to their max in order to establish a foothold in the property market.

You don't want have a situation where one partner literally cannot sleep at night for fear and anxiety of being exposed to high borrowings. In situations like this a friend or counsellor or financial adviser can be useful to help the partners navigate their differences and hear each other's views. Too often in relationships one partner may feel inadequate and hold back their true feeling for fear of looking weak or for fear of upsetting their partner.

His, hers and ours

Independence is vital today. Joint property and assets are a natural evolving outcome of a relationship. In the case of assets such as family home and superannuation, businesses and investments, the division rules are fairly clear and subject to various constraints and rules which is the subject of another book. But there needs to be an acknowledgement that each must retain a sense of independence. Where a partner is working then some of income should be available for personal, discretionary use. And even where a partner is not an income earner then they too need a sense of independence – perhaps even more than the working partner.

We have a belief in the ’his, hers and ours’ model. The concept is self-evident and does not need all that much funding. In the case for instance where one partner has an expensive hobby such as golf, then clearly there are benefits in that partner maintaining their interest without the need to check back to the other each time they are going to hit a few holes. Pooling resources is important, but so is maintaining a degree of financial independence. Carve out some money for both partners to spend on things that make them happy. And when paring back, it’s essential that each person makes sacrifices.

Have separate and joint cheque accounts. In a situation where one or both partners have children from a previous relationship or significant independent assets, then there may be an agreement in the new relationship to “quarantine” such assets from the new relationship. This is particularly important in the case where child support is in place for other children or where one person has family investment or business interests that remain linked with an external family. Generally, many couples will choose to document such arrangements through a pre-nuptial agreement (set up through a solicitor) which sets the understanding of what is quarantined but also establishes an understanding of what are their shared assets and expenses.

Creating wealth together

Finally, invest. Invest in your relationship. This can of the type we noted earlier but can also extend to adventures such as doing courses together. Think of it as dollar-cost averaging your marriage, where you make small investments over time. If you wait until retirement, it could be too late. And get creative about investing. You can explore your interests and your creativity here. It is often a time of discovering hidden talents.

I recall one couple where the female partner decided to turn her interest in writing into a career –against the odds. She had no previous experience in writing but had some wonderful life experiences and a fascinating family lineage which she eventually documented.

With a supportive partner this project became both a passion and a money spinner. She had discovered an interest which created substantial additional income for the family.

Take the next step

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found it informative and professionally presented. Of course, your feedback is always welcome as we strive to continually offer content in a format that is relevant to you.

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Next you will find details on how to book an appointment with an adviser.

We look forward to meeting you soon.

Appointment booking request form

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Appointments are available Monday-to-Friday.

Please nominate your preferred day, date and time to meet with us. One of our client services representatives will call you to confirm your appointment.

Preferred appointment day and time

Day ______________________________

Date ______________________________

Time ______________ am/pm ______________

If you would like us to contact you via email to confirm your appointment or to answer any questions you have, please provide a valid email address for our records.

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Title ______________________________

First name ______________________________

Last name ______________________________

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Reader Notes

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