

Dealing with money as a duo

New lovebirds often spend hours talking together. They share stories from childhood, funny anecdotes from high school and college, and their future hopes and dreams. However, until a couple has talked about money, they don't completely know each other.

Many couples avoid discussing money. Yet, people can have very strong feelings on the subject and very different philosophies on spending and saving. Feelings can be deeply ingrained – and not easy to change. As with other traits, opposites often attract. So it's not uncommon for the partners in a couple to have conflicting attitudes towards money. Not surprisingly, money issues are often a major cause of divorce.

Communicate and compromise

You may not be able to change your partner's ideas about money. But if you talk about your differences openly, you should be able to come up with some compromises. Here are a few tips to get the conversation going.

Ask "how much?" before saying "I do"

Once you are engaged, you will probably be busy picking out wedding invitations, china patterns, and floral arrangements as you plan the wedding. You may not want to spoil the romance by comparing credit reports. But how romantic will it be to return from the honeymoon to discover that your new spouse is knee-deep in debt?

Engaged couples should have a serious talk about money long before the ceremony. Talk about what money means to each of you. Go over what you each earn – and owe. If either of you has a serious amount of debt, discuss how you plan to handle it.

Discuss money and financial goals

Couples also should discuss their joint financial goals. Do you both want to buy a house, save for your kids' education, and/or retire early? Prioritize your goals and estimate how much you will need to reach them. If one of you is a spender and the other is a saver, talk about the compromises you are willing to make so you will both be happy.

Share responsibilities

There are day-to-day financial issues, too. As you prepare to join financial forces, figure out who will be responsible for paying the bills. Will you have joint or separate banking accounts? If you keep separate accounts, how will you pay joint bills?

Create a budget

No matter how you work things out, you will need a budget for your new joint venture. Decide ahead of time who will be responsible for tracking spending. While one of you may be better at doing the paperwork, you both should know how your money is being spent. In a pinch, either partner should be able to step in and cover for the other.

Review retirement accounts

Look at your retirement account investments to see if you have investments that duplicate each other. If you both have significant holdings in the same investment, you risk losing a lot of money if the value of that investment plummets. Make sure your combined investments are well diversified and that your combined asset allocation reflects your goals, risk tolerance, and time horizon.

Insurance issues

You may be able to choose between your employers' health insurance plans. Compare the costs and benefits of your health care options to figure out how to effectively coordinate both employers' benefits. Finally, make sure you each have enough life insurance coverage and, if necessary, update the beneficiary designations on your policies.

Keep talking

Once you are married and have a budget, savings plan, and bill-paying system in place, you still need to talk about money. Sit down (at least once a month in the beginning) to look at how well you are sticking to your budget, and see if your savings are on track to meet your goals. That way, if something unexpected comes up, you will both be familiar with your general financial situation.

Keeping the lines of communication open will help you recognize minor issues and address them before they become major problems in your relationship.



For more information, speak with your BMO financial professional.



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