Love, Marriage, and Money: Getting Your Act Together

Summertime…love is in the air and weddings are in the works. A popular – and very healthy – trend is for spouses-to-be to engage in premarital counseling with their pastors. But since money issues typically top the list of reasons for divorce, you should also consider premarital financial planning with a CPA or CERTIFIED FINANCIAL PLANNER™.

Because talking about money is "taboo" for many, this subject may be especially hard to bring up. But I have heard too many stories about couples who found out – too late – that they are just not compatible when it comes to dealing with finances. Wouldn't it be so much better to discuss these topics when you are both free to do something about them?

For example, you may not realize that you don't just marry the love of your life; you also marry their credit history. Credit cards and college students are a dangerous combination, and they are handed out as frequently as homework. Because it is all too easy for young people to fall into the trap of buying "toys" on credit, it is not unusual for newlyweds to bring a troubled credit history into the relationship. Jeanne Wilson at U. S. Bank tells me she has dealt with some very disappointed couples who have found out when applying for a mortgage that their spouse has credit "issues." While she says the loan is still possible, you will not be able to count your spouse's income, which is often a disqualifier for obtaining the loan.

When you say, "I do," your marriage is treated like a partnership with each of you liable for any debts jointly incurred during the marriage. If the husband takes out a credit card in his name only and defaults on it, both parties are liable and still can be sued, have their wages garnished, etc. Debts incurred before the marriage, however, stay with the borrowing spouse unless the new spouse is added to the account.

A financial advisor can meet with couples – both young and old – as a neutral third party as they are planning for their future. The cost of the engagement will depend upon the intricacy of your situation. But consider this: spending a few hundred dollars in preparation can save you thousands later and start your marriage out on a fiscally healthy footing. For starters, your advisor will want to see the following information:

1. Prior year income tax returns
2. Income information (Pay stubs, prior year W2's, Social Security statements, etc.)
3. Credit card balances and payment history
4. Bank, savings, and retirement account information
5. Other assets (home, vehicles, jewelry, etc)
6. Insurance coverage (life, health, disability, property)
7. Any other debts you are liable for (car, notes you have co-signed, school, etc.)
8. Other obligations (alimony, child support, pledges, back taxes, etc.)
9. Projected budgets

Be prepared to consider the following for discussion:

1. Will you have joint or separate bank accounts?
2. If you plan to have separate accounts, who will be in charge of what expenses?
3. Who will be in charge of the finances? Do they know how to reconcile a checkbook? Are they organized and prompt in paying bills?

4. What are your plans for the future in terms of starting a family, continuing your education, starting a business, etc?
5. What are the attitudes of each of you about borrowing money?
6. What are the major purchases you will need to make in your first year?
7. What goals do you want to accomplish *before* starting a family?
8. Will one of you stay at home after starting a family?
9. Do you have other relationships outside your marriage that will affect your family, and what will be the impact? For example: family trusts and foundations, obligations from prior marriages and relationships, business partnerships
10. Spending limits – how much can you spend without your partner's approval, and vice versa?
11. Will you use a prenuptial agreement?

You should be able to accomplish the following as a result of your meeting(s):

1. Prepare a joint budget
2. Set savings goals
3. Assign responsibilities for financial management and set up a system of accountability
4. Set a time for an annual meeting to review your finances and reassess your goals for the future, either alone or with your advisor

The results of your premarital financial checkup aren't set in stone. In fact, the best plans are flexible and adjusted on a regular basis to accommodate life changes. With professional guidance, it isn't a difficult process and your advisor can help you navigate some tricky issues and discuss areas that you might not otherwise have considered. Not only can it be very enlightening, but a refreshing experience that will bring you to a deeper level of joint communication and awareness as a couple.

I've always said that this profession is as much about counseling as it is about the numbers. Premarital assistance is just one of the ways that a good financial planner can be a valuable ally throughout your life. Guess what? It's even more complicated when a marriage doesn't work out. Next month, I begin a two part series filled with tips for those going through – or contemplating – a divorce.

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