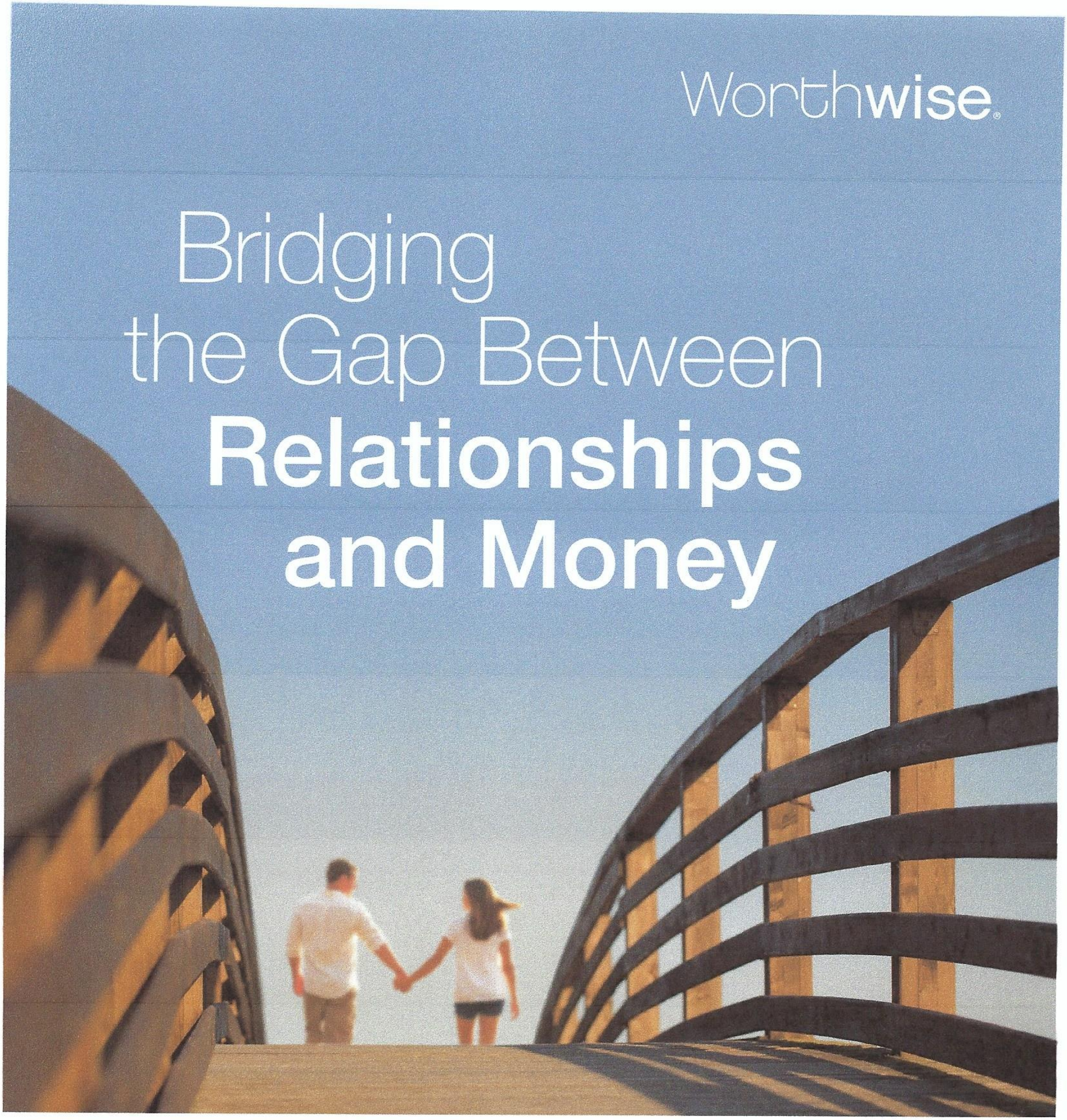
Worthwise®

# Bridging the Gap Between Relationships and Money



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## In this issue:

- Start your new relationship on the right financial footing
- Deal with money issues that may arise as you mature together
- Be financially independent, with or without a partner

# NEW RELATIONSHIPS
## NEW STRATEGIES

**When you're young and just starting a relationship, it's easy to think that everything is amazing and nothing could ever come between you and love. But, it can—especially once you are living together and beginning to merge finances, and when you may be blending families. So, it's critical to start out on the right foot. But how do you do that?**

### Step 1: Identify your financial personalities

The first thing you should do is discuss your attitudes toward money. It's worth identifying your financial personality—saver or spender—and knowing if you're on the same page or not.

### ☑ Ask each other:

- **What do you think is important to spend money on?**
- **What are the things that are not important to you?**
- **What are you willing to forego in order to get the things you want long term?**

You likely cannot change each other's personalities or attitudes toward money, however, identifying the attitudes beforehand may help you approach any potential issues from a place of understanding. And this will hopefully prevent small issues from becoming major ones.

### Step 2: Communicate honestly

It's important for each of you to understand your existing financial responsibilities. You may have debt you're paying off, obligations to family or from previous relationships, or any number of things that you each have to pay. Be open and honest about your commitments and try to make sure your partner is as well.

### Step 3: Put your accounts in order

You may each have a number of bills that you prefer to keep separate, at least at first, but chances are you will undoubtedly have some joint expenses as well. So, it's important to think about how you want to set up your banking. Some couples choose to start with three accounts: yours, mine and ours. In this scenario, each of you keeps an account to pay your own obligations and you have a joint account from which you pay the bills you share. Regardless of how you set up your banking, it's important to determine who will actually pay the bills. If one of you loves to crunch the numbers and wants to take this on, that's great. But maybe you want to take turns each month. The most important thing is to be in it together, reviewing your assets and liabilities as a team on a regular basis.

### Step 4: Identify and manage expectations

When people get married or move in together, they often have preexisting notions about when they need to buy a home, have children, retire and more. But things may not


always happen on schedule. And while planning is critical to helping you and your loved ones get and stay on track toward your goals, remember that life happens. Your priorities and financial situation can change quickly, but that's okay. You can still work toward these or new goals using the same tools.

## ☑ The key is to:

- **Set your goals (wedding, home, vacations, etc.)**
- **Plan for your goals (how much you will save each month)**
- **Be realistic about timing (taking a little longer may be better than stressing yourselves too much)**
- **Check your progress at regular intervals**

## Step 5: Check your beneficiaries

If you do get married, it's important to review the beneficiaries on your retirement accounts and insurance policies. Your spouse will automatically become the beneficiary on your retirement accounts, so if you do not want that to happen, they will need to sign a waiver. For life insurance and investment accounts, your financial adviser can help you ensure you are each the beneficiaries of your respective policies and accounts.

Don't forget about retirement—it may seem far away, but you should always be saving toward it. At the very least, you should be maximizing whatever match your employer offers.

**Merging your lives and finances can seem overwhelming, but it doesn't have to be. Your financial adviser can be a great resource for tips on how to do this effectively.**

**Additionally, Investopedia.com and wisebread.com both offer a lot of great information on a wide variety of financial topics.**

# IN THE **THICK OF IT**

**As your relationship and career matures, your expenses and responsibilities can grow as quickly, if not more quickly, than your income. This can be a time when money issues that were ignored can get out of hand—or when new, unexpected expenses can pop up and throw you off track. Here are some issues that typically come up and some ways to try to manage them.**

## Expenses have grown tremendously

Let's face it, homes, cars and kids can be expensive. Between the mortgage, car payments, insurance, child care, clothing, food, sports equipment and more, your expenses can grow tremendously. Sometimes it can be empowering to simply remember that there is a difference between wants and needs—and everyone does not need to get everything they want right when they want it.

### ☑ Try to:

- Set priorities
    - Divide your expenses into needs and wants
    - Budget for the things you need
    - Keep some room for emergencies and for surprise expenses that may pop up
    - Set savings goals for the things you want
- Remember to budget for birthdays and holidays (and try to stick to it)
- Teach your children to be financially responsible
    - An allowance can help them learn how to save and spend appropriately

## Income differences have led to a power struggle

Over time, it is likely that one of you will out-earn the other. In fact, women are the primary or sole breadwinners in 42% of households with children under 18.* And while this is usually a point of pride for the one earning more, it can lead to resentment and cause other issues—especially if the one making more believes that means they "deserve" more or can make all the decisions because of their financial prowess.

The key is to remember that you are a team and the money you spend on your life together is not "yours" or "mine," but "ours," and you should both have an equal say in how to spend it or save it.

## You're behind on your college planning

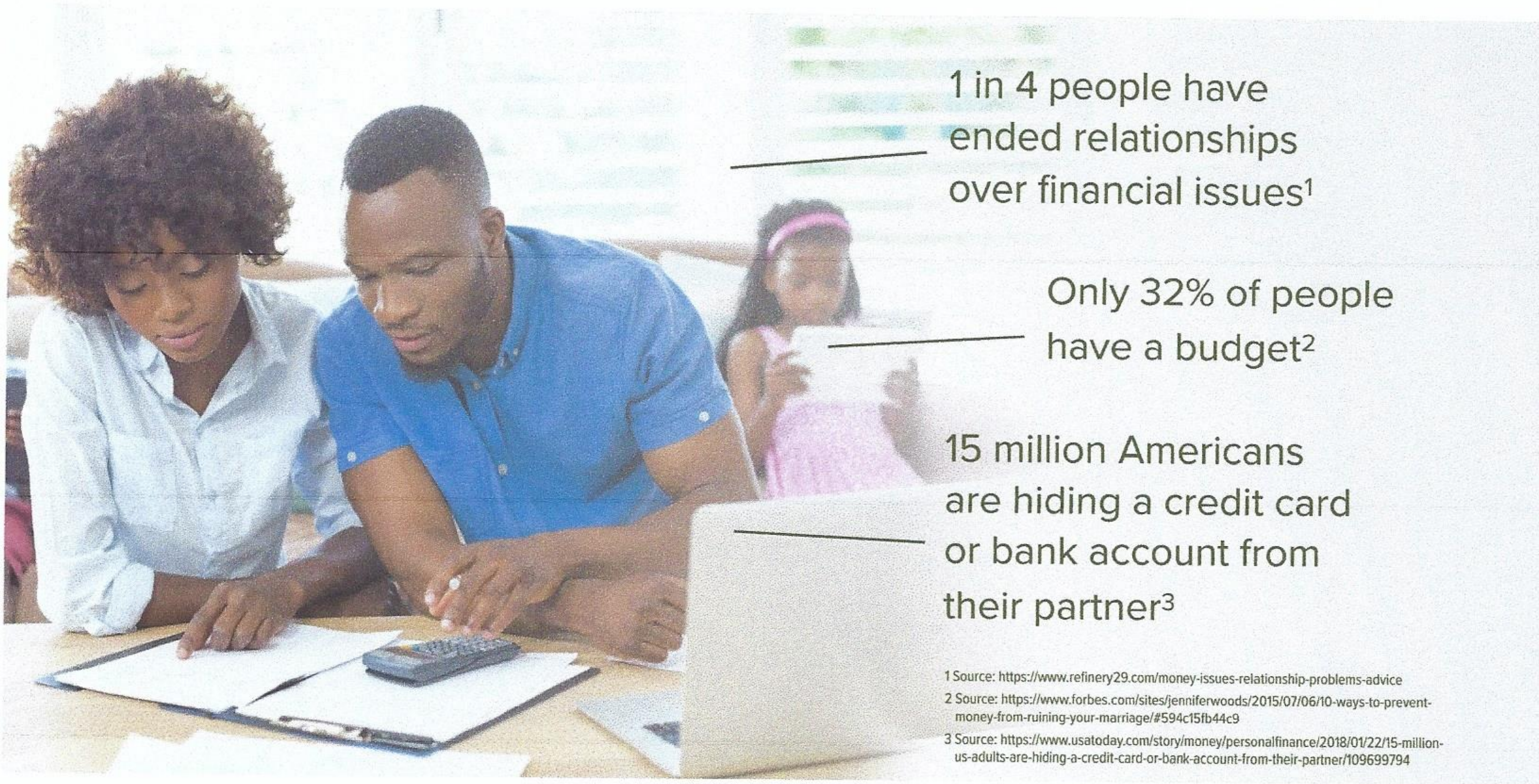
College is a tremendous expense and, contrary to popular belief, not everyone is able to plan for it. While it's never too early or too late to start saving for college, remember that you do not have to pay for it 100% up front.

### ☑ Your child may be eligible for:

- Scholarships, financial aid, and other awards from their school of choice



* Source:https://www.americanprogress.org/issues/women/reports/2016/12/19/295203/breadwinning-mothers-are-increasingly-the-u-s-norm
** Source: https://www.moneyhabitudes.com/financial-statistics




And, although it may not be your first choice, there are loans to pay for college. The same cannot be said for retirement.

Retirement saving is like putting on your oxygen mask first on an airplane. You can't help others until you take care of yourself, so retirement needs to be a top priority no matter what. Because although borrowing can be a strategy for college, it is not one you can use to pay for retirement.

## You (or your partner) have accumulated new debt

If your regular financial check-ins have fallen by the wayside, debt or spending can get out of hand quickly and surprise the other partner. In fact, 63% of couples think their significant other overspends in some way.** And while there can be many reasons behind this, it's critical to come together to help pay it off as quickly as possible.

### ☑ Work together:

- Try to determine a motivating factor that led to the spending (it could simply be that one of you was unemployed and you had no choice)
- Come up with a plan together for how to pay it off (it may be a good idea to start with your highest interest debt first)
- Re-establish regular financial reviews

## Extended family has come between you

It happens all too often. Your mother, brother or sister-in-law needs something and you or your partner write a check to solve the problem. Family is one of the top things couples fight about. And, these types of issues can not only cause emotional stress, but may also endanger your own finances.

### ☑ Try to:

- Discuss the issues so you are both aware of what might happen
- Agree on how you might handle these situations before simply writing a check
- Ensure you are not endangering your own financial stability by helping your loved ones

Your financial adviser has likely had experience with many of these issues and can help you solve any challenges you face to help you get back on course and stay there. A few other resources include myworthfinance.com and richdad.com.

# STARTING OVER

**A new phase of life can be scary. But getting your financial house in order can help you control that fear and turn it into excitement.**

## Going separate ways

Disentangling finances is often more complicated than it was to combine them in the first place. While a divorce attorney can provide more comprehensive information, there are some things you may want to prepare for.

### ☑ Try to:

- Get a complete picture of the financial information, including all assets and liabilities
- Have up-to-date appraisals on homes, art and jewelry as well as the most recent checking, savings, investment and retirement account statements in order to more accurately determine your true combined worth
- Re-establish your individual bank accounts and redirect any direct deposits so that your paycheck doesn't accidentally wind up in your "joint" account
- Separate your credit card accounts so that you don't pay for your ex's new debt

### ☑ Try to:

- Check your credit rating to ensure it remains separate and is not negatively impacted by your ex
- Understand who will be paying for what and for how long (child support and college, for example)

## Standing on your own

If you are on your own, whether by chance or by choice, one of the most important things to do is to determine how you will get by financially—and the first thing you should look at is your income. There may be resources you haven't considered that your financial adviser can help you with.

### ☑ Did you know:

- Annuity products may be able to provide you with guaranteed income for life?
- Divorced individuals may still be able to collect spousal Social Security (assuming it is larger than their individual benefit) even if their ex has remarried?
- Widows can collect Social Security as early as age 60?


## Creating a plan for living in retirement

As any financial adviser will tell you, retirement is not a destination, it's a journey. And it often includes exciting opportunities like travel, volunteering, new jobs or businesses, and more. Regardless of how many retirement assets you have, you need to have a plan for how you will access them.

### ✓ Your adviser can help you:

- Review all income sources available to you
- Decide when to elect Social Security
- Create a budget and plan to help you pay for the things you need and to help you reach any outstanding goals
- Determine how to allocate your portfolio and which investment products to use in order to meet current and future income needs
- Make a plan for which assets to draw down first—and much more

Regardless of whether you're just starting out, somewhere in the middle, or entering your golden years, it's important to have protection. While you may not think you need it when you're very young, consider whether you could pay your bills if your significant other died—and vice versa. If the answer is no, you should have a life insurance policy that would replace your income.

## Updating your records

Any time there are big changes in your life, it is a good time to review your estate plan and other documents.

### ✓ Be sure to:

- Change the beneficiaries on your retirement accounts
- Have all your home, auto and life insurance policies brought up to date, so they include only the appropriate parties, property, and beneficiaries
- Revise your will to represent your new status, assets and wishes for your legacy

A few great resources for a host of information on starting over include womansdivorce.com, wevorce.com and myworthfinance.com.

# CULTIVATING YOUR RELATIONSHIP WITH MONEY

Relationships can be tough! And it's important to remember, no matter what stage in life, that you and your money are in a relationship for the long-term. Like any relationship, this one requires nurturing in order to stay healthy. That's why the support of a financial adviser can be critical. An experienced adviser can help you navigate the financial world, stay on track to meet your goals, and potentially find opportunities to maximize your wealth.

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www.myworthfinance.com



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