



FINANCIAL LITERACY

Live “Happily Ever After” with a Strong Financial Foundation

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Do you plan to get married soon? The time to begin talking about the financial partnership you'll be forming together once you're married is before the nuptials. When you build a strong foundation of financial partnership at the beginning of your relationship, it will prevent many costly and stressful situations later.

Nearly half of Americans (48 percent) who are married or living with a partner say they argue with the person over money, according to a survey of more than 1,000 people by [The Cashlorette](#), which is owned by personal finance site Bankrate.com. Most of those fights are about spending habits, with 60 percent saying that one person spends too much or is too cheap. The remaining fights are pretty evenly split between someone being dishonest about money, how to divide the bills, and other types of money fights, from disagreements over forgetting to pay a bill to a couple's financial priorities in life.

Those disagreements often lead to divorce. Data released in January 2018 by [financial firm TD Ameritrade](#) found that 41 percent of divorced Gen Xers and 29 percent of Boomers say they ended their

marriage due to disagreements about money. These money-related problems often begin early on. In fact, arguing about money early in your relationship might be the No. 1 predictor of whether or not you'll end up divorced, according to a study of more than 4,500 couples published in the journal *Family Relationships*.

These Discussions Are Uncomfortable—But Have Them Anyway

To avoid this tragedy, you and your partner must talk openly and honestly with each other about your financial hopes and dreams, your spending habits, and your attitudes toward debt. Some of these discussions might be uncomfortable, and you might not agree on every issue. But it's necessary to talk about these topics anyway.

Here are just some of the subjects you should discuss before you get married:

1. What assets will you each bring to the marriage? If you both own a home, where will you live, and what will be done with the second home?
2. What debts will each of you bring to the marriage? How will those debts be paid?
3. Do you consider yourself a saver, a spender or something in-between?
4. What is your credit rating?
5. What is your income?
6. Do you save on a regular basis? How? Do you invest on a regular basis?
7. How? How will you make saving and investment decisions once you're married?
8. What are your financial goals, both short- and long-term?
9. How do you both feel about providing financial help to other family members, such as aging parents or children from a previous relationship?
10. How will you manage your money once you're married? In separate or joint accounts? If joint accounts, who will be responsible for managing the balance and paying household expenses?

If separate accounts, how will household expenses be allocated and paid?

11. If only one of you works outside the home, who will control the money in your relationship?
12. If you plan to have children, what are your financial expectations with regard to raising children?
13. Do either of you need to keep a portion of your finances separate? If so, can you both agree to that?

Paying for the Wedding

While there are regional variations, according to [The Knot's 2017 Real Weddings Study](#), the average wedding in the United States today costs \$33,391. And that doesn't include the cost of the rings or the honeymoon!

That's a lot of money to spend on a celebration that lasts a few hours or less, particularly when you consider that some of that money could be used for a down payment on a house or to eliminate existing debt. You can spend less and still have a beautiful, memorable wedding celebration.

The way you and your partner work together to plan your special day will give you a glimpse into how well you communicate about financial decisions. Here are some ways to plan your wedding as a team—and reduce the expenses.



1. Create a wedding budget together. Without one, costs can quickly spiral out of control.
2. Where shouldn't you skimp? To answer that question, consider what will last long after your wedding day. You'll be wearing your wedding rings for the rest of your married life, so get something you like. You'll be sharing photos and videos of your wedding for years to come, so hire a professional photographer and videographer. Get a wedding gown and tuxedo you and your partner like, but consider renting them. Or check outlet stores and search websites for the bridal gown of your dreams at a bargain price.
3. You might be able to save considerably by having an "off-season" wedding (November through April) and/or by being married on a day other than a Saturday.
4. Check out simpler wedding invitations to save on printing costs. Or print them yourself using the high-quality paper available online and in stores.
5. Limit the size of the wedding party (the number of attendants).

The reception is typically the largest wedding expense, by far. Here are some tips on how to save considerably while still having a memorable reception:

1. Reduce the number of guests. Consider paring the list down to just the people you really want to be with you on this important day in your lives.
2. Instead of a sit-down dinner, have a buffet or hors d'oeuvres.

3. Use flowers that are in season at the time of your wedding. Use more greens and fewer blooms in the arrangements. Concentrate floral arrangements at the reception, not the church.
4. Consider having an alcohol-free reception, or close the bar while food is being served.
5. Reduce the cake cost. Get a small version of your "dream" cake, plus a much less expensive sheet cake in the same flavor. The sheet cake can be cut out of the sight of your guests, and they'll never know the difference.

Deciding Whether You Need a Prenuptial Agreement

If you're both young, have not accumulated substantial assets, and are not in line to receive a substantial inheritance, you probably don't need a prenuptial agreement. The laws of the state where you reside establish how property is to be divided in the event of divorce, and that might be sufficient for your situation.

On the other hand, if any of the following conditions exist, you might want to consider entering into a prenuptial agreement before you are married:

1. One or both of you has substantial assets accumulated prior to the marriage.
2. One or both of you is the beneficiary of a trust fund.
3. One or both of you is expected to receive a substantial inheritance.



Prenuptial Agreement



4. One or both of you has children from a previous marriage.
5. One or both of you owns a business.

Prenuptial agreements can be used to prearrange the division of assets and the custody of children in the event of a future divorce, as well as to protect an inheritance. Take the following steps if you are considering a prenuptial agreement:

1. Jointly decide on exactly what the agreement will cover.
2. Consult with an attorney who is knowledgeable about family law. You and your partner might want to hire separate attorneys.
3. Include a time frame for future reviews and modifications of the agreement.
4. Sign a prenuptial agreement only if you believe it is fair and equitable.

Tips for Preventing Financial Disagreements

One secret of a successful marriage is to try to

eliminate any trouble spots before they occur. Here are some suggestions for squelching the money troubles that many newlyweds experience:

1. **Develop a post-wedding money plan together—** Your budget should be a realistic plan of how to pay your living expenses and make progress toward your savings goals. Don't make your budget so rigid that it doesn't allow for some discretionary spending. As part of developing your budget, decide how living expenses will be paid (joint or separate checking accounts?) and who will be responsible for tracking your monthly expenses and progress toward meeting your savings goals.
2. **Establish an emergency fund—** The general recommendation is to establish an emergency fund equal to a minimum of three to six months of living expenses that will provide a financial cushion against an unexpected job loss, illness, accident, vehicle repair, home repair or some other financial emergency. Keep your emergency fund in a safe, liquid account, such as a savings account or money-market fund.
3. Pay off debts

as quickly as possible—And resist the temptation to overuse credit (in fact, commit to paying credit-card balances in full and on time each month). Spending beyond your means can leave you in debt, adding unnecessary pressure to your marriage.

3. **Create a financial safety net**— Review insurance coverage, including medical and dental, property & casualty, disability, and life insurance. See if you can save some money by combining your auto insurance policies as well as your banking accounts. If you're both employed, review your respective employee benefit plans to see where you can save money. The medical and dental benefits from one of your employers might provide better coverage for both of you at a lower overall cost.
4. **Set your financial goals together**— Decide what your short-, intermediate- and long-term financial goals are. Determine how you are going to save toward those goals and how you will save or invest the money. Consider setting up automatic savings, with a set amount transferred each month from your checking account into savings or investments. Take full advantage of opportunities

to save at work, such as through a 401(k) plan. After the wedding, you might need to change beneficiary designations on employer-provided benefits.

5. **Commit to ongoing money conversations**— Periodically schedule uninterrupted time together to review your finances. Discuss what is working for you, what is not working, and what changes you will make in your financial life together.

Handling the Legal Aspects of Your Finances

Unfortunately, bad things do happen...you owe it to each other to develop a plan that protects both of you from life's misfortunes. Many aspects of financial planning are impacted by state law. You might need the assistance of an attorney, accountant and/or financial services representative to assist you with the following important tasks for both of you:

1. **Modifying your will as appropriate**— Assuming you already have a will, you'll need to update it to reflect your marriage. If you don't have a will, get one! Without a will, the state where you reside will decide for you how your property is distributed at your death.



2. Establishing a living will— This document states your preferences regarding the type of medical care you want to receive (or don't want to receive) if you are incapacitated and cannot communicate. You will specify the treatment you want to receive or not receive in various scenarios.

3. Establishing a medical power of attorney— Also known as a durable power of attorney for health care or a health care proxy, this document names another person, such as your spouse, to make medical decisions for you if you are no longer able to make medical decisions for yourself or if you are unable to communicate your preferences. (Note: A medical power of attorney is not the same as a power of attorney, which gives another person the authority to act on your behalf on matters you specify, such as handling your financial affairs.)

Getting Sufficient Coverage in Place

Adequate insurance coverage protects dependents, income and assets from financial loss. Appropriate insurance coverage depends on your personal and family situation, as well as your financial needs and objectives. Here is a general overview of various types of insurance:

1. Property and casualty insurance indemnifies losses to homes and cars, and it provides liability protection.

2. Life insurance protects dependents from loss of income in the event of an income earner's death. If you already have life insurance, review your beneficiary designations and make the appropriate changes.

3. Disability income insurance replaces income that's lost in the event of accident or illness. It might be available through your employer.

4. Health insurance helps cover the costs of medical care. If you're both employed, coordinate health insurance benefits between your two employers.

5. Long-term care insurance helps pay the costs of extended nursing home or assisted-living care.

6. Periodically review your insurance program, making adjustments as needed.

Should the Bride Take Her Husband's Last Name?

Traditionally, it was common for a woman to take her husband's last name at marriage. But today, an increasing number of women are keeping their maiden name or incorporating both their maiden and married names into a hyphenated last name.

Here are some general guidelines to keep in mind on this topic:

1. If the wife takes the husband's last name or uses a hyphenated last name, she should sign her new



married name on the marriage certificate and on all future legal documents and joint tax returns. It will also be necessary to complete a name change on a wide variety of documents and accounts.

2. If the wife keeps her maiden name, she should sign her maiden name on the marriage certificate and on all future legal documents and joint tax returns. If the two of you file a joint tax return, the IRS might require that you submit proof of your marriage. It's also a good idea to find out if your state has any special requirements when a wife keeps her maiden name.

Note: It's generally not a good idea for a wife to use her maiden name and her husband's last name interchangeably on legal documents. This can lead to confusion and complications. It's no small task to change your name and/or address...in fact, you might want to start gathering the needed information and forms before the wedding.

Although you can begin processing address changes prior to your wedding, you'll need to process your



name change as soon as possible after your wedding. A general recommendation is to change your name with the Social Security Administration first because many employers and financial institutions require that the name on their records is consistent with Social Security records.

The following is a list of records for which you will need to update your name and address:

Government:

- Social Security Administration documents (www.ssa.gov)
- Post office address (change online at www.usps.com)
- Driver's license
- Vehicle registration
- Voter registration
- Passport
- IRS documents (use IRS Form 8822)
- Department of Veterans Affairs documents (forms available online at www.va.gov)
- Child-support payments

Employment:

- Current employer
- Previous employers (as needed for future benefits, such as pensions, deferred compensation, etc)
- Business associates

Financial Institutions:

- Banks (checking/savings accounts, CDs, safety-deposit box)
- Lenders (auto, mortgage, student loan)
- Credit-card companies

- Insurance companies (life, health, auto, home, disability)
- Investment/brokerage accounts

Utilities/Services:

- Water and sewer service
- Electricity
- Gas
- Telephone/cell phone
- Garbage collection
- Cable or satellite service
- Internet service

Service Providers:

- Attorney
- Accountant
- Insurance agent
- Financial advisor
- Doctor
- Dentist
- Veterinarian
- Pet-care service
- Daycare/babysitters
- Cleaning service
- Yard-care service

Subscriptions and Memberships:

- Magazines
- Newspapers
- Book/music/movie clubs
- Churches
- Civic/community organizations
- Professional licensing/certification boards
- Health, social, and country clubs

Legal:

- Wills
- Trusts
- Property titles

Education:

- Your schools
- Your children's schools

Many newly married couples start off on the right foot by creating a financial plan, paying off debt, and talking about financial goals, but some will let continued discussions fall to the wayside. It's easy to do, especially if one person is paying the bills and tracking expenses. Yet, it's the continued communication about finances which protects your marriage from the common pitfall of fighting about money. Agree to a special date night once per month when you review your monthly budget and progress towards your goals. It keeps both of you engaged in your future and gives you an opportunity to talk about what's working and what things you might want to change.

The more you plan ahead—for your wedding and for the rest of your life as a couple—the more likely you are to be able to live in harmony, avoid disagreements about money and live happily ever after, throughout your most rewarding milestones and into retirement.