

Heart Smarts About Money, a Pre-Nuptial Guide to Finances

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Getting married? Or are you just solidifying an already good couple arrangement? Even couples who have known their partners a relatively short time have some understanding of each person's attitudes toward money. When planning a legal union, however, it pays to consider the financial aspects of your marriage or decision to cohabit just as deeply as you do its romantic aspects.

If you have spent more time shopping for a dress or tux than you have passed in discussion about shared finances, it's wise to set aside time now for this discussion. If you don't, you may get surprised by the twists and turns in the financial road ahead!

Here is a roadmap to this very important conversation with your partner to be. Your future happiness together may well turn on your ability to find common ground now, in handling that very important resource, money. Almost every one of life's milestones requires some investment of time and money to get there. That said, money alone as we all know doesn't guarantee happiness.

Money is a topic often taboo for social conversations. Yet, a decision to team your life with someone else's necessarily entails a discussion about finances. If you need help, a third party coach can help you make this an 'okay' discussion to have, without jeopardizing your relationship with your beloved.

There is a reality that many marriages and romantic partnerships do fail. It's important to talk about how you would help each other avoid having money become the cause of the relationship's failure. I will share some tips a little later in this article.

First conversations

So, you've finally met someone you like, someone you may become serious about. You share a lot of common interests. You ask yourself, could we make it together, as a couple, over the long haul? Try a few test questions, and evaluate the answers. Among them:

--Can you talk about money together without one of you shutting down, or becoming embarrassed?

--That is, is money an 'okay' or 'off-limits' subject to broach?

--Does one of you assume control of financial matters? Or do you both share in paying bills or making financial choices?

--Do you share views on eventual goals that could include finishing an education? Changing jobs or relocating? Having children? Or would each of these subjects need to be negotiated, and recalibrated for revised expectations?

--Do you both have significant assets and children from a previous marriage? Have you expressed clarity with each other what your priorities may be going forward?

Moving ahead

After dating for some time, you and your partner are ready to make a commitment. You may have even chosen a wedding date. As you plan for the special event, you may want to also cover the following:

--Are you well matched in communication styles, when you must have 'hard but necessary' conversations? That is, can you find collaboration and compromise leading to a solution or are you often communicating from opposite poles? If so, talk about this and find ways to have the hard conversations, like those dealing with money, within an agreed framework.

--Establish a wedding budget and stick to it. Don't saddle yourself with debt from the onset of your union.

--Be ready to disclose your assets and debts and request your partner to do the same. Talk about your plans for financing and managing daily life together.

--Discuss your goals, which may include closely held dreams. Don't surprise your potential partner after marriage if you want to quit a job and go back to school. Each of these moves involves a major financial commitment on the part of the other partner. Use a communication coach if necessary to seek collaboration or compromise on these points.

--Consult with a financial planning professional, to set up pro forma household budgets and accounts. How much can you afford to spend on housing, for instance, if your goals include purchase of a house? How quickly can you and your partner save toward the down payments necessary? How will you manage your credit scores along the way, to qualify for loans? A financial professional can get you on track and help you stay there. Having a third party intermediary can also help avoid blow ups when you both don't agree on a money decision.

--Discuss essential household accounts. Have at least one household account, as well as retirement accounts, and separate accounts. Discuss whether to have credit cards and how you will manage your credit, or FICO* , scores on them. Also decide a schedule for rotating bill paying responsibility and management of the household checkbook. It's usually not a good precedent to completely delegate financial matters to just one of the members of a couple. If you do, it may be hard for the other person to maintain their own sense of responsibility.

Deciding on a pre-nuptial agreement

While much discussed, pre-nuptial agreements are not for everyone. They essentially are legal contracts specifying what property may remain separate and what property will be treated a marital or community property, during the marriage. Couples that don't marry might consider establishing a trust to accomplish some of the same goals as a pre-nuptial agreement. You should consult with an attorney to comply with your state's laws. Many states require both parties to consult with an attorney, so that any consent to the agreement is fully informed. Pre-nuptial agreements usually establish provisions for treatment of property, for disposition of assets should divorce or death effectively ends the marriage.

Some couples want to protect a surviving spouse in the end one spouse pass away. Other couples

want to protect assets for children from a previous marriage. If necessary or wanted, the agreements can also clarify responsibilities for how the couple will manage income tax filings, household expenses, savings for the future, and repayment of debts owed to each other. For instance,

if one party is asked to relocate to another state or country, the person agreeing to this change may incur some economic harm in accommodating this request.

The other person can acknowledge this with a promise to 'make whole' the person making the accommodation should the relationship end later. The same issue may arise with a decision by one spouse to continue working to pay for the education of the other spouse at graduate school. The presumption is that the time and effort invested will benefit the couple in the future.

However

the financing spouse may wish a clause specifying that she or he have the right to repayment of the

tuition paid or the income foregone, should the relationship end later.

Even couples with no significant assets may wish to make a simple agreement with each other about how to handle some of these areas of concern. For instance, they may choose to agree upon limits of liability for each other's debts.

Most state laws would not permit language in prenuptial agreements attempting to:

--Restrict child support payments

--Restrict child custody or visitation rights

--Forfeit alimony

--Create economic incentives to divorce

--Create rules about nonfinancial matters, including choice to use one last name by both parties and for children, rules restricting family communication, and any rules pertaining to pets.

The choice of an attorney can be critical to this process, to avoid an adversarial stand-off.

Consider choosing one trained in mediation or collaboration skills or who has cross-trained in psychology.

Best practices for handling money during marriage

The rules of civility rein once you as a couple join in union. It's important to talk openly about money

issues. And it's wise not to make surprise expenditures or donations exceeding some pre agreed upon threshold.

Any family therapist will also counsel you not to criticize your partner about money in front of others. The goal should be to move your relationship from the "I" paradigm to "we," that is, what is good for us and our family? Any assets paid for with earned income usually become marital assets during the marriage. Retirement assets may be titled in the name of one party but under community property law are considered shared.

In decisions about choices of investments it is usually wise to consider the differences in ages

between you and your partner, and your relative tolerance of risk as you seek reward. Having a financial plan calibrated to your goals may serve the dual purpose of educating you and your partner about the amount of saving necessary as well as return on investment you will need, to realize your goals within a specified period of time.

Tax planning is often a topic to prioritize, to avoid potential melt downs during the actual tax filing season.

Higher income couples who plan can realize tax savings, by taking steps before the end of the tax year to minimize the tax due.

Post-nuptial agreements

Things happened during a relationship. Inheritance, for one. Business creation, for another. And of course, children may be the joyful outcome of your union with your partner.

Post-nuptial agreements may be useful in helping address changed circumstances or decisions to use separate assets for the community. A post nuptial agreement can also restage life's plans for what comes later, when children become involved. Keep in mind that should you and your partner decide against using prenuptial or post-nuptial agreements then prevailing state law becomes your default agreement. Be informed about how the state would guide you and your family in the event of an unexpected death, or divorce.

There is some cross over from a post-nuptial agreement with actual estate planning documents, like wills and trusts. It is important to consult with an attorney on actual wording of these documents so that they remain enforceable later. Also, many states require both parties to have legal counsel before signing such documents, to ensure informed consent. The originals of these documents once signed should be kept in a safe place, such as in an actual safe or bank safety deposit box.

A financial planning professional can help in these discussions by helping quantify life's eventualities. Estimating potential costs for various life events can be an empowering discussion, allowing you and your partner to more effectively steer your lives where you would like to go. Having a financial coach help you in planning discussions can take the heat out of otherwise touchy subject. A financial coach such as myself would help you get on firmer footing using budgets, timeline plans, and with coaching sessions to help you achieve your goals. Ratio-based metrics would help track your success.

I hope this article provides you and your partner confidence and inspiration.

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Notes:

FICO is an acronym for the Fair Isaac Corporation, the creators of the **FICO score**.

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See www.life-as-planned.com for details about her practice. Tracking number 01-05347331.

Disclosures:

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