Columnist Suze Orman

A Couple's Guide to Managing Money
by Suze Orman
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For my money, not being on the same page financially is a sure ticket to marital discord, if not divorce. Based on thousands of conversations with stressed-out spouses over the years -- from newlyweds to couples working on their 20th anniversary -- an inability to agree on money matters is one of the leading causes of busted relationships.

And it makes perfect sense. The simple truth is that money issues are with us every day. For couples who are renting, there's the pressure to save up fast for a down payment -- which is especially intense in this hot housing market -- followed by the stress of trying to choose the right mortgage. Meanwhile, couples these days that own a place are wondering if it makes sense to take advantage of the big run-up in home values and do a cash-out refi, or use their home equity to pay off credit card debt, the kids' college bills, or a five-star vacation.

Then there's retirement to worry about. From your 401(k) to a Roth IRA, the two of you have to make all the decisions, which means plenty of opportunity to disagree with your partner. Add in the ongoing worry about being able to afford your kid's college education, or pay off a dangerous five-figure credit card balance, and you and your significant other are surely not going to get by on love alone.

You get my point: money is front and center in our lives. So if you and your partner aren't in financial sync, your marriage is going to be in deep trouble.

Your Money Vows

Here are my top three money vows all couples need to exchange and embrace. I don't care if you're married or not. Or if you've been together 10 months or 10 years. If you can't agree on these financial basics you are living a life unnecessarily full of stress and discord. You both deserve better, don't you? Here's how to add financial intimacy to the emotional intimacy you already have.

- **No matter who earns what, we will equally share all money decisions.**

  Money has no power of its own, but we sure do make a mess of things by assigning it all sorts of power, especially in our relationships. The most damaging dynamic I see so often is when one partner makes a lot more than the other and on that basis is allowed to, or expected to, make all the couple's money decisions. That's relationship insanity. What relationship can thrive with that huge imbalance in power, not to mention the lack of respect that usually comes along with it?

This happens all the time with stay-at-home moms. They think that they have to defer to the wage-earner in the family. Ick! Come on, folks, a relationship is a partnership, not an employer/employee arrangement. So if there is a stay-at-home parent in the family, you both need to acknowledge that you are equal partners in the family. Heck, as far as I'm concerned, the wage earner has the easier job. If society ever got its act together and put a monetary value on the work done by a stay-at-home parent, it would make a lot of moms millionaires. In the meantime though, every stay-at-home parent should have the full respect of the wage-earning parent. That means you decide as a couple how to invest the 401(k) and the Roth IRA. As a couple you go over the monthly bills, so you both know where you stand. As a couple you decide whether now is a time to buy a new car, or to keep driving the one you have. You both should be equally engaged in all of the decisions.

I also think it is crucial for the stay-at-home parent to have a steady paycheck; by that I mean there should be a set amount automatically deposited on a weekly or monthly basis into a checking account for the stay-at-home parent. That way the stay-at-home parent is not put in the powerless position of having to constantly ask the wage-earning partner for money.

Another interesting cultural phenomenon that can create financial stress in a relationship revolves around the fact that so many of us are getting married, or settling into a long-term relationship, later in life. That means we bring years of financial independence into the relationship. And that can create difficulties over how to merge one's financial life with a partner. Especially when one of you happens to make a bit more than the other.

Please don't think that keeping everything separate is going to work. Or that you can just figure things out haphazardly. You need to merge your financial lives in a way that's both equitable and productive -- and that requires a coordinated plan. Don't worry, in just a minute we'll talk about retaining some financial independence too, but that independence should be in addition to, not instead of, your united financial partnership as a household.

The best basis for a truly workable system is to go for equal shares, not equal portions, in dealing with your ongoing living costs. Let's say you bring home $4,000 a month, and your partner brings in $2,000. And let's say your combined monthly living costs are $3,000 a month. If you split it 50-50 ($1,500 each), your share of the mortgage would be just 37.5 percent of your take-home pay, but 75 percent of your partner's. What's fair and respectful about that?

So here's how you do it. Add up all your shared expenses; in this example that's $3,000. Then add up your combined take-home pay; which here is $6,000 . So your combined expenses are 50 percent of your combined take-home pay. That means you each are to contribute 50 percent of your individual take-home pay to the pot. So for you that's $2,000 and for your partner it's $1,000. Equal shares, not equal amounts. That's fair and respectful, if you ask me.

- **We will be financially intimate and still retain our own financial identities.**

  It is absolutely imperative to merge some of your finances -- and keeping everything separate hints at an underlying problem with trust -- but it is equally important for you both to retain your own financial identities. I want you to have a shared checking account for handling all household expenses, and you should also have a shared credit card. But it's also important for you both to keep a bank and a credit card account separately in your own names.

  The solo credit card is a huge deal. Remember, how you handle payments on a credit card account is reported to the big three credit bureaus. And that info is the foundation for your FICO score. Every individual, no matter how much they love their partner, needs to maintain their own credit report, and thus, their own FICO score. If you are widowed, or divorced, having your own FICO score is going to make your financial life a whole lot easier. I hope you never have to deal with that possibility, but you know my mantra: hope for the best but prepare for the worst.

  Now, at the same time, you need to understand that when you formally marry, you and your spouse become equal partners in all your future debt. Any debt you had prior to the marriage -- be it credit cards, car loans, or student loans -- is not merged when you marry. You are not responsible for a spouse's debt that was run up prior to the marriage. But all debt taken on during the marriage is yours as much as his or hers, regardless of who did the actual spending. So please, don't marry someone you know is a financial deadbeat. Don't make excuses for them, and don't think that it doesn't matter. It matters big time. Chances are, your financial life will be dragged down to the deadbeat's level.

  In fact, there should be no "I do's" until you and your sweetie both appreciate the importance of living a financially responsible life. If your partner can't see the value in that, then you need to seriously question how this will play out in a marriage. My Financial Compatibility Quiz is a great way for you and your partner to explore your financial personalities.

  If you do find you are poles apart, it's time to dig in and work together to resolve any important differences. Don't attack. Help each other grow and learn, through calm conversations and a lot of listening. Quite often, people are financially irresponsible because they grew up watching their parents make all the wrong moves. So they simply never learned how to do things the right way. That's something you can be compassionate about, and help your honey to overcome.
- **We love each other so much, we will have a prenup agreement.**

  Okay, just hear me out on this one before you start accusing me of being cruelly unromantic.

  Folks, it's time to face the facts: about 40 percent of marriages end in divorce. So why is it so awful of me to suggest that you and your honey have a contingency plan? And please, spare me the "-it shows I don't trust my partner if I say we need a prenup" line. Because prenups are such an emotionally charged issue, I think it shows great love and respect (there's that word again!) for each of you to want to look out for the other, should something go awry. And it is certainly not any kind of an admission that the

relationship is doomed. It's simply a contingency agreement. If you ever do decide to end the relationship, you'll already know how you will handle the splitting of the finances and property during that emotionally trying time. I hope you never get to that point. But again, it's all about hoping for the best and planning for the worst.

Besides, a prenup forces your hand a bit. It requires you and your honey to talk things through -- and not take anything for granted -- before you say your I do's. That's a really smart step to take; if there are any kinks that need to be worked out, you do the work before the marriage. It's another way to really get to know your partner.

I also think prenups are an absolute must for any couples where one or both parties have children from a previous marriage. If you have any assets from your earlier marriage that you want to keep separate from your new spouse, and leave to your children, then a prenup (along with Living Revocable Trust) is going to help you spell out exactly what stays outside of the new marriage. A prenup is also a great way for one spouse to retain full ownership of any asset (or property) that may have been inherited.

There are a couple of logistical issues you need to address with a prenup. First, you both need your own lawyers. Second, the agreement should be signed weeks before the wedding. A prenup signed on the eve of a wedding can be grounds for a lot of trouble; a spouse can later claim they signed it under pressure, or that it was a crazy time and they didn't understand what they were agreeing to. That's an argument you definitely want to avoid.

☐Five Remedies for Couples Who Argue

The top reason that couples argue is the inability to see eye to eye when it comes to money. Here are ways to stay constructive for couples that argue about money.

1. **Get real, is it the money or the relationship?** As I said in the article, money has no power of its own. So if you are arguing about money it may be indicative of other issues in your relationship. If there is a wide disparity in your salaries and that is creating stress, the issue isn't really the money. It's probably about the lack of respect -- about not yet having merged your lives in a truly balanced way. No one person, no matter how much money they make, should have any more power or responsibility in a relationship.
2. **Talk, don't shout.** Before you attack, listen. Then when it's your turn to speak, calmly explain your concerns and your goals. Threats and anger are never constructive. If you and your spouse can't talk about your different approaches to money, how are you ever going to solve them? And at the risk of sounding a bit repetitive: be respectful! If you have an appetite for risk and your partner is financially conservative, don't be pushy or belligerent about it. Find the middle ground. And try to find out what's behind your stances; if nothing else, think of it as an opportunity to learn about one another and to cultivate that all-important spirit of support and accommodation in your relationship. If you can't do that for each other, money isn't the problem. Your unloving interaction is the real issue. And you will need to face up to that to have any chance of fixing things.
3. **Set goals and automate.**In the midst of the day-to-day craziness of life, it's easy to take your eyes off of long-term goals. You both want to buy a home, but then one of you gets sidetracked at the mall and mindlessly blows $300 on clothes that aren't really needed. And then it's only when the guilty shopper gets caught that their partner angrily

points out that the $300 should have been invested in a savings account for your down payment. The solution for this is, first, for you both to agree on your big-picture goals -- things like saving up for a home down payment, funding Roth IRAs for each of you, or paying off the mortgage ahead of schedule so you can retire debt-free. Then, whatever your goals are, set up an automated way to fund those goals. For example, if you want to save $300 a month toward a down payment, have that money automatically deducted from your checking account each month. Automate and you don't have to argue.

4. **Share the responsibility.** Quite often there is one partner who does the bills, handles the investing decisions, and so on, in part because the other partner refuses to, or simply isn't reliable enough. And that can become the root of a lot of resentment and arguments. Or maybe you both are trying to retain total control, and butting heads. I want you to sit down and make it a joint exercise. Once a month you are to pay the bills and check your statements together. This provides a perfect setting to regularly review and discuss household spending patterns and financial strategies. If during the process you find something to argue about, step back and go over your long-term goals. How does whatever you are arguing about fit into those?
5. **Don't wait 'til after the wedding to work out the kinks.** For those of you who are not yet married, please take the time to really talk through your money goals before you say "I do." Don't think it will all just work itself out after the wedding. If you already have concerns about your partner's approach to finances, things are only going to get worse once you are in the marriage. So take the time now to confront your financial differences. If you are dating a spendaholic and that is an issue for you, then you better get that out on the table right now. If the spendaholic doesn't want to change, then you need to reassess the relationship. Same goes with your approach to credit card debt, your goals in terms of renting vs. buying a home, and how you plan to save for retirement.

   And please make sure you discuss your plans for the kids. It is crucial to make sure you are on the same page about stay-at-home parenting (pro or con) as well as your thoughts about public vs. private schooling and how to pay for college. If you don't discuss those issues now, only to discover later that you have quite different perspectives, then you are setting yourself up for a stressed-out relationship.

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