

Before You Say, "I Do"

IT SOUNDS VERY UNROMANTIC, BUT COUPLES SHOULD DISCUSS MONEY MATTERS *BEFORE* THEY MARRY AND SPEND THE REST OF THEIR LIVES TOGETHER.

Ryan and Jenn had just returned from a wonderful honeymoon and were beginning their life together as husband and wife. Jenn had moved into Ryan's apartment with the intention that they would look for a place together after the wedding. They had initially planned to look for a bigger apartment. However, with the gifts of money they received from the wedding and the \$8,000 first-time home-buyer credit, buying a house seemed like a smart thing to do.

They consulted a realtor, who advised that they first talk to a lender to prequalify for mortgage. That way, they would know what price range they should be considering. Both Ryan and Jenn had good jobs, so they weren't expecting any problems. Unfortunately, the news from the lender wasn't good. Ryan had over \$12,000 in credit-card debt and a history of late payments. His credit score was in the low 600s.

Jenn was shocked. She had no idea Ryan had any money problems. "Why didn't you tell me about this?" she exclaimed. Ryan replied, "You never asked."

This scenario underscores the importance of premarital counseling, which should include meeting with a financial counselor who is specifically trained in this area. According to www.divorce-ate.org, 50 percent of all first marriages end in divorce. Financial problems are frequently listed as one of the top reasons for marriage failures. Starting off your marriage on solid financial footing may greatly improve the chance that your marriage will last a lifetime.

The best way to avoid financial problems is to prevent them from happening in the first place. That does not happen by itself – it takes planning. Couples should create short-term and long-term financial plans. The long-term plan will address the big issues: what kind of a house do we want? Do we want to have children and how many? How will they be educated? Where do we want to vacation? When do we want to retire?

The short-term plan is called a bud-

get. How much money do we expect to come in during the next 12 months and how is it going to be spent?

All couples need a budget, not just newlyweds. A budget provides the opportunity for husband and wife to come together and agree on how their money will be spent before they have it. Many fights over finances begin with one spouse accusing the other of overspending. Having a budget won't eliminate money fights completely, but it will give spouses an opportunity to appeal for funds to spend on what is important to them. A compromise is usually reached and financial harmony can be maintained.

Here are seven tips for newlyweds to get their financial lives started on firm footing:

Create a budget – Many people say that they don't like having a budget because it is too restrictive. A budget is just the opposite. It frees you to be able to spend money on the things you've already decided you want to buy and can afford to buy.

Assign one bookkeeper – One spouse needs to be in charge of maintaining the budget and the checkbook. One of you will naturally be better at financial matters and that's the person who should be in charge of recordkeeping.

Have a plan for using credit – Misuse of credit is the slippery slope that can quickly lead to financial problems. Using credit cards to make purchases that you cannot otherwise afford is a common pitfall. The problem isn't having a credit card. It is the misuse of it. Couples should decide in advance when and if credit cards will be used and how the balances will be paid. A good rule is to never purchase anything with a credit card that is not already in your budget. When the credit-card bill arrives, pay off the entire balance every month. If you are ever in a position that you cannot pay off the balance, stop using credit cards.

Balance your checkbook every month – Commit yourself to this as soon as the bank statement arrives. Make sure your ledger and the statement balance to the penny. Most statements have a handy diagram on the back to show you how. Ask the bank to help

you with this if you have never balanced a checkbook before.

Avoid ATM withdrawals – The most common error people find when balancing their checkbook is the ATM withdrawal that was missed. If you must use an ATM card, commit to one withdrawal per week. ATM cards are a convenience, not a necessity. If you find that your checkbook balance is constantly suffering because of missed ATM transactions, get rid of the card. Bank overdraft charges are hefty and forgetting ATM withdrawals will ultimately lead to a bounced check sooner or later.

Commit to saving something from every paycheck – The key to financial success is spending less than you earn. Many people mistakenly believe that all their financial problems can be solved if they just had more money. Their problem is not that they don't have enough money; the problem is that they spend too much. Discipline yourself to always spend less than you make. Even if you can only save \$10 per pay, the habit is more important than the amount. Put this money away in a savings account until you have saved three months of expenses. It's your savings account that will keep you out of debt when big expenses come up unexpectedly.

Have a monthly budget meeting – Keep the communication line open in the area of finances. Set a time each month to discuss the family finances and review your short- and long-range plans.

Ryan and Jenn have a blemish on their relationship now. Jenn feels betrayed that Ryan didn't tell her about his financial situation. That scar will take time to heal. Be sure that your marriage starts out on the right financial footing. Discuss your attitudes about money and finances before you say, "I do." ❖



Rick Rodgers, CFP®, is president of Rodgers & Associates in Lancaster, PA and author of *The New Three-Legged Stool™: A Tax Efficient Approach to Retirement* (www.thenewthreeleggedstool.com). He can be reached at rick@rodgers-associates.com.