

Marriage and Money: How do we combine our finances?

Powercat Financial Counseling



Communication is Key

- Attitudes and expectations of money
- Personality in regards to money
 - Big Spender
 - Saver
 - Shopper
 - Debtor
 - Investor
- Family history – Parental modeling
- Habits
- Financial Goals
- Assets
 - Heir
 - Family Business
 - Retirement Account
 - Savings
- Debts
 - Credit Cards
 - Loans
 - Gambling
 - Bankruptcy



Setting the Stage



- Schedule time for discussion
- Be goal- oriented
- Speak honestly
- Admit mistakes
- Don't judge
- Listen attentively
- Look at numbers
- Create plan to reach goals
- Talk about finances regularly

Nerds and Free Spirits

Rules for the Nerd:

- ❖ Listen
- ❖ Take input
- ❖ Keep it brief

Rules for the Free Spirit:

- ❖ Show up
- ❖ Give input
- ❖ Be realistic

Banking – Joint or Separate?

- ❖ Not mandatory to have a joint checking account
- ❖ Variety of options
 - ❖ One joint account
 - ❖ Two separate accounts
 - ❖ Each monthly bill allocated to an individual
 - ❖ Joint account for family expenses and separate accounts for personal spending
 - ❖ Each person contributes certain dollar amount or percentage of income to family expenses
- ❖ Whatever you decide, make sure both of feel comfortable and understand the parameters you've established



What Should We Never Combine?

- ❖ Pre-existing Debt:
 - ❖ Credit Card Debt
 - ❖ Student Loans
 - ❖ Auto Loans
- ❖ Keep in Original Owner's Name
- ❖ Develop Plan for Repayment



How to Get Started

- ❖ Establish individual and joint financial goals
 - ❖ These goals can cover savings, housing, family, transportation, budget, career, investments, retirement, etc.
 - ❖ Goals should be SMART so that you are motivated to carry them out
 - ❖ Specific
 - ❖ Measurable
 - ❖ Achievable
 - ❖ Realistic
 - ❖ Time-sensitive
- ❖ Create a spending plan



What is a Spending Plan?

- ❖ A spending plan is a way to keep track of the money you have coming in (income) and the money you have going out (expenses)
- ❖ Creating a spending plan allows you to map how you want to allocate your money
- ❖ A spending plan can allow you to meet your financial goals

Income

- Include income from all sources
- Estimate income first from memory, then use bank records to record actual income
 - Look forward to estimate your income for next month

Source	Estimate	Actual	Expected
Salary	2,900	2,659	
Salary #2			
Loans			
Benefits			
Craigs List	250	294	
Etsy	150	132	
Other Income			
Total Monthly Income	3,300	3,085	

Expenses

- Again, estimate what you spend before looking at your records
- Consider not just the big dollar items, but also the smaller things that can really add up
- Track your spending

	Estimate	Actual	Need/Want	Plan
Mortgage or Rent	600	600	need	600
Electricity/Gas				
Water/Sewer				
Telephone/Internet/Cable				
Car Payment				
Car Insurance	150	130	need	130
Home/Renter's Insurance				
Life/Health Insurance				
Groceries				
Meals Out	100	180	want	125
Gasoline				
Property Taxes				
Gourmet Coffee	15	30	want	5

How can I track my spending?

- ❖ Spending notebook
- ❖ Receipt method
- ❖ Check register method
- ❖ Account book method
- ❖ Envelope method
- ❖ Bank provided finance program
- ❖ Online personal finance program
- ❖ Smart phone apps
- ❖ Software

Total Monthly Income
<u>- Total Monthly Expenses</u>
Balance

- ❖ Once you've subtracted your expenses from your total income, you will see if you have money left over or if you are spending above your income
- ❖ If expenses are greater than income you have two options
 - ❖ Cut expenses
 - ❖ Increase your income
 - ❖ Adjust withholdings
- ❖ Determine areas that are “wants” where you can cut back
- ❖ Set priorities
- ❖ Be sure your spending plan reflects your values and financial goals
- ❖ Establish an Emergency Fund of 3-6 months worth of expenses

Update Accounts

- ❖ Look into discounts for married couples and review coverage when combining auto policies
- ❖ Are there duplications in your employee benefits?
- ❖ Change beneficiaries on life insurance policies and retirement accounts
- ❖ Update state and federal withholding at HR
- ❖ Determine if combining cell plans, memberships, etc. would be more cost effective
- ❖ Record name change, if applicable.

Things to Ponder

- ❖ Will one of you be primarily responsible for money handling?
Is one person better at certain aspects than the other?
- ❖ How will you combine your physical assets? Can you sell any duplicates to pay down debt?
- ❖ Can you live on one income and use the other to meet financial goals?
- ❖ Do you need a prenuptial agreement?
- ❖ Should you set a predetermined limit on frivolous spending?
Discuss ground rules for large and small spending.
- ❖ Set up regular appointments to discuss your finances and progress toward goals.
- ❖ There are tax advantages to being married. These occur not only at tax time, but also in regards to retirement plans and when your spouses passes away.



Credit Reports and Loans

- ❖ You and your partner are each entitled to a free credit report from each of the three reporting bureaus every year.
www.annualcreditreport.com
- ❖ Your pre-existing debt does not automatically appear on your spouse's credit report.
- ❖ When applying for a loan such as a mortgage, check with your bank to see how it uses both of your scores to determine your rate and terms.



Questions???

Contact us or make a free appointment:
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