From "Me" to "We": Financial Harmony for Married Couples

Marriage is a beautiful union, but let's be honest, it can also be a financial juggling act. For many couples, merging their separate spending habits and financial histories into "ours" can be surprisingly challenging.

Financial advisors can help by guiding open and honest communication about individual financial situations, spending habits, and future goals. This includes facilitating discussions about debt, income disparity, and financial anxieties. By acting as a neutral third party, we can help couples find common ground and create a sense of teamwork around their finances.

We can also help translate this communication into a tangible financial plan. This plan considers factors like retirement savings, emergency funds, and investment strategies. We help couples prioritize goals, develop a budget that reflects their combined income and expenses, and choose suitable investment vehicles to achieve their shared dreams. Ultimately, the advisor empowers couples to make informed financial decisions together, fostering a sense of security and stability in their future. That said, here are a few tips to get you started, with or without the help of an advisor.

1. Inventory your starting point

Each spouse will bring different assets, liabilities, income and expenses to the marriage. This is the time for both spouses to fully disclose their financial position. Besides the financial numbers, we recommend you talk about your money history – how did your family handle money and how does money impact you emotionally?

2. Determine how your finances will help you achieve shared goals

Discuss how much independence versus interdependence you want to have with your financial management. We recommend you set medium and long-term financial goals together so you can begin building a financial strategy for your household. Your strategy could include retirement, housing, education and travel and leisure goals. Your long-term goals can then be used as a framework for shorter term spending goals which could take the form of a budget or a less formal spending and savings plan. Whether you decide to have joint or independent accounts, you will still want to discuss how much each spouse can spend outside of the plan without clearance from the other spouse.

3. Determine roles & responsibilities

A major upside of managing finances together is that you don't have to do everything yourself. One spouse may love organizing bills and paperwork and the other spouse might enjoy investments. Of course, there will be some financial tasks that neither spouse is passionate about, but each part of your household financial management should have someone with primary responsibility.

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4. Simplify your life by combining accounts where possible

You will likely bring multiple checking, savings, investment, credit card and loan accounts to the marriage. The more accounts you have, the more time you will need to spend tracking and managing the accounts. Moreover, many financial accounts provide benefits like miles or fee waiver which can be better leveraged if combined. Where possible, we recommend consolidating accounts. Even if you continue to have “your own” bank accounts, you will probably want to add your spouse to the account. Some accounts like IRA’s cannot be consolidated with your spouse. However, this is a good time to review each of your accounts to see if either spouse has multiple IRA’s that could be combined.

5. Take advantage of tax benefits for married couples

While there is a “marriage penalty” for the highest tax bracket and for some income limits, for most married couples there are significant tax benefits for being married. If the two spouses have significantly different incomes, the combined tax rate may be lower than the sum of the two single filer’s tax rates. Second, the spouses can take advantage of a higher joint standard deduction, higher charitable giving limits and higher combined gift and estate tax limits. When it comes to retirement accounts, make sure you add your spouse as a beneficiary as spousal beneficiaries enjoy much more favorable minimum distribution requirements than non-spouse beneficiaries.

6. Regularly review your financial progress

To facilitate good financial communication, we recommend you set a regular time to discuss finances. This discussion should include significant financial events since the last discussion, review of a scorecard to track progress, and details of future financial choices that need decisions. As you discuss finances, pay special attention to financial topics that can be stressful for your spouse.

7. Celebrate your success!

Don’t forget to celebrate your financial milestones. If you get a promotion, pay off a loan, save enough for a big vacation or open an IRA, reward yourself. Just don’t spend so much on the reward that it derails your financial progress!