Getting Married: Key Financial Considerations

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Next Gen Insights

Happily Ever After…is what everyone hopes for as guest lists are finalized and honeymoon plans are made. However, disagreements around finances are often cited as a leading contributor to marital disharmony. Although premarital discussions cannot guarantee everlasting marital bliss, following are 10 topics that should be discussed by partners before walking down the aisle in order to establish some level of financial communication and understanding.

1. Relationship with Money

Our adult relationship with money is often greatly influenced by the messages received around finances while growing up. What you saw modeled as a child will likely impact how you approach money as an adult. If money was a taboo topic in your home, you may be less comfortable discussing it with a partner. If major financial decisions were made by just one parent, that may affect how you view your role. In addition, growing up with a fear of not having enough money, or always having more than enough and being a disciplined saver, will influence how you think about wealth. Spending some time with your fiancée to understand how your relationship with money may be similar to, or different from, his or hers is a good first step to opening up an ongoing dialogue.

2. Credit History

Sharing your credit scores and discussing the debts each of you are bringing into the relationship is important. Everything from whether you pay off your credit cards monthly to how significant your student loans are and whether you

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have ever filed for bankruptcy is relevant. Disclosing that you signed as a personal guarantor for business loans or loans to family members is critical, as those could also become your spouse's obligations to pay. Your future ability to buy a home or start a business could be impacted by the credit history and credit scores each of you brings to the marriage.

3. Financial Goals

Goals that you have either individually or as a couple have a financial impact. If you hope to buy a home, attend graduate school, retire at a certain age, be debt free, or even save a certain amount of money, you should recognize that any stated goal will be easier to reach if you understand each other's views and work together.

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4. Children

Anyone who has children realizes quickly that they are expensive. Whether you have financial obligations for children from a previous relationship or hope to add to your family going forward, you should not ignore the financial impact of children. Having an early discussion about whether one parent might plan to not work outside the home or work a reduced schedule for some period of time, and recognizing that those decisions will impact the family's finances, will be beneficial in the long run.

5. Budgeting

Some find having a budget to be liberating because they have a plan, while others find it constraining. Either way, a budget provides a framework for making day-to-day financial decisions and can be a valuable tool for facilitating a discussion about spending prioritization. Included in this should be how each of you views charitable giving. Budgeting also helps ensure that both partners are on the same page regarding their spending and lifestyle.

6. Saving Versus Spending

Saving should be a line item in your budget. Making sure you have a liquid emergency fund representing six months of projected household spending is universally recognized as prudent. Maximizing your contributions to a 401(k), or at least saving enough to maximize any available employer match, is also wise. Sometimes it may be difficult to forego something you want today to reach your savings goals, but if both of you are committed to those goals, it will likely be a little easier to make the tough choices along the way.

7. Shared or Separate Finances

It is highly recommended that prior to walking down the aisle you discuss whether you plan to keep your finances separate, merge your assets, or find some approach between these two. Different approaches work for different couples, therefore, having an understanding of how you plan to approach this ahead of time is advisable. This fits in with a discussion about the level of personal wealth each partner enters the relationship with as well as reaching agreement on how you will divide the bill paying and other financial duties.

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8. Premarital or Prenuptial Agreement ("Prenup")

If you have substantial personal or family wealth (including expected inheritances), significant business interests, or children from a previous relationship, you may be wise to consider a prenup. Although the discussions that are necessary to put together a prenup can be uncomfortable, it should be noted that prenups include full financial disclosure, must not be unreasonable, and require both parties to have adequate legal representation.

9. Estate Plan Update (or Creation)

At a minimum you should make sure you have a will and health care proxy, and may want to consider signing a durable power of attorney and/or a revocable trust. Your will governs how any property owned in your individual name will pass at your death, and if you have minor children will provide guidance on who should be the guardian. A healthcare proxy appoints an agent to make healthcare decisions if you are not able to do so for yourself, and can detail the types of medical interventions you do or do not want. It is recommended that you name a primary health care agent and at least one alternate in case your primary agent is not available for some reason. It is also advisable to execute a durable power of attorney to name someone to act in financial and other legal matters on your behalf. This power should only be given after serious thought and after determining that you trust the power holder completely. It is possible to name an attorney-in-fact and an alternate, or to require that two or more named parties agree before action can be taken. Depending on your situation and level of assets, it may also be desirable to establish and fund a revocable trust. This is especially true if you have children from a previous relationship.

10. Beneficiary Designations Update

With a new marriage you should take a moment to review and update your beneficiary designations on retirement accounts and life insurance policies. If you plan to name someone other than your spouse as beneficiary of any qualified retirement plan, such as a 401(k), you will need their written consent.

A good first step towards open communication and understanding is recognizing that you and your spouse bring different views of money to your marriage. Although premarital discussions cannot prevent all conflicts, creating an environment where transparency around financial topics is the norm may help reduce future disagreement. This is especially true as goals and circumstances will inevitably change along the way.

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