

Managing your finances after the 'I dos'



Getting married or moving in with a significant other involves some big transitions, such as making the shift from “me” to “we.” Nowhere is this truer than when it comes to merging finances.

When newlyweds don't see eye-to-eye on money matters, it can lead to problems. Still, experts suggest that loving relationships can flourish if couples learn to talk honestly about money, set mutual financial goals and learn to work as a team.

Whether you are high school sweethearts just starting out or a mature couple with independent careers, following are a few practical tips to help you and your partner achieve financial wedded bliss:

Come clean before tying the knot

The first step every couple should take is to sit down and have a frank discussion about their financial history, preferably before the wedding. Discuss your current financial state, including what assets and liabilities each partner is bringing to the relationship. Be open and honest about any student loans, credit card debt, how you spent, saved, and managed your money in the past. This can be a stressful conversation, so talk about money issues when you are both rested and not distracted by other issues.

Share and compare

Besides getting a handle on where you are financially, talk about your hopes and dreams, and what you want individually and as a couple. By establishing your future financial goals as a couple, you can plan for children, a new car or house, or anything else you want to do during your life together.

Develop a budget

Next, sit together and develop a general budget for the household and other common expenditures. Then, decide together how both of you will contribute to these expenses. Some couples combine income and expenses into one pot; others split expenses evenly or contribute a percentage of income to a joint account. Still others combine some money for bills and expenses, but keep some separate for individual spending. If that's your preference, you may want to consider opening a joint account and two individual accounts, sometimes referred to as 'His, Hers and Ours' to handle your money.

Similarly, if either or both of you are bringing debt into the marriage, discuss how you will tackle repayment. You may agree that each person is responsible for his or her own debts, or you may choose to attack all debt together, regardless of how much each partner brought in.

Follow the leader

Decide who will be in charge of the budget and how financial decisions will be made. Some couples have one spouse pay the bills, while the other handles investing. Others prefer to have one spouse handle all financial matters. Whether you divide the responsibilities or operate as a team, the key is to find a system that works for both of you.

Create a 'rainy day' fund

Set aside at least three to six months of living expenses so that you're prepared financially in case of unemployment if an emergency strikes. Having a safety net may help keep you from going into debt when the unexpected occurs.

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Save for retirement

If you have access to a retirement plan at work, contribute as much as possible. At the very least, make sure you contribute enough to take advantage of any employer matching contribution. If you don't have a retirement plan at work, save on your own through a traditional or Roth Individual Retirement Account (IRA). The sooner you get started, the easier it may be for you and your spouse to build the lifestyle you want as you grow older together.

Plan for the 'what ifs'

Ask yourself, if something happens to either one of us, how will we take care of each other? If you become disabled and unable to work, disability insurance can provide a steady income stream for your family. In the event of your death, life insurance provides a lump sum

to your beneficiaries, while mortgage insurance can help pay off the house. Also, make sure you have a will that spells out how you want your assets to be distributed should something happen to you, as well as a power of attorney for someone to make decisions on your behalf.

Money management and marriage are matters of dollars and common sense. Just remember: You're in it for the long haul, so be willing to keep the dialogue going. By taking the time now to iron out money differences, couples just starting out will have a real advantage when it comes to building financial security for the future.

For further information on financial planning

We invite you to visit mybmoreirement.com or call the My BMO Retirement Line at **1-800-858-3829**.