FAMILY FINANCIAL EDUCATION FOUNDATION

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Till Bills Do Us Part?

If wedding bells were ringing for you recently, you might be among the many new couples trying to figure out whether or not to blend your newlywed's financial life with your own.

Despite well-meaning advice from family and friends, deciding to combine a married couple's money will always be one of the most fundamental decisions you'll need to make together.

Traditionally, married couples keep their money in joint accounts. The reason for this is because, in the eyes of the law, your assets are joined and you are running a household together. It may also be because managing separate finances can be a bit of a struggle. But as studies have shown, money is often in the top three reasons that married couples argue, and given this possibility, it may benefit a newly married couple to consider all aspects.

Questions about money will always arise when you have two people that live together and share the same roof. Together you will face the same bills, same expenses, and financial decisions. The decision to keep separate accounts or having all the bills and paychecks going through one account differs depending on each couple's needs and wishes. This decision is quite likely the very first important decision you will make as a couple, and there are a lot of things to consider.

So let's ask the question: Should you and your partner combine all your finances? Below are the pros and cons of joint accounts. Individual preferences and situations may vary.

Checking and Savings Accounts.

Pro: It's easier to pay joint expenses.

When you're living together, and especially when you're married, you will share many expenses with your partner. Such expenditures may include mortgage or rent, utilities, food, household items, and many more possibilities. It can be a lot easier to keep the money that pays all those bills in one account that you both fund. Plus, a joint account will take considerably less time than figuring out expenses, dividing the costs, transferring the money from one person to another, and then paying the bill.

Another option to ensure all things are created equal, some couples decide to create a joint account for shared expenses while keeping a separate account for personal spending.

Con: Your partner will know exactly how much you spend shopping.

One of the best things about being single is that you are not held accountable to anyone other than yourself, and that includes finances.

If you feel like treating yourself (and probably spending more than you should) on something you've had your eye on for a long time you can do it without hesitation. However, if you are spending that money from a joint account, it can be hard to explain your large purchase to your significant other when they see the bank statement. Your partner will rightfully want to have a say in how much money is spent, on what, and when.

Talking to your spouse about large purchases beforehand helps avoid conflict and creates a sense of trust. Talking about when the best time would be before running out to get that new flat-screen TV will help your partner

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feel like a part of the decision-making process. Also, if you have an impulse-spending problem, it might help to have someone else watching your back or reminding you about that massive electricity bill you just received.

Pro: Excessive spending can be caught early.

If you are both consciously aware of account balances (thanks, mobile banking), you will also both know how much disposable income you have. Both parties being aware of expenditures and deposits can help when it comes time to budget and save up for a fun vacation or retirement. If you know how much you need to allocate to the bills, you can plan ahead without having to transfer money between separate accounts.

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Having a joint account helps you stay on top of your finances, and if your partner does have a spending problem, you can intervene before things get too bad, and suddenly you are short on the mortgage or rent. This situation can also be a point of contention because when one partner is more likely to spend irresponsibly, feelings can get hurt, and the fights can begin.

Con: Finances are a big stress in relationships.

Couples don't always see eye to eye on how money should be spent. One might see something as a necessity while the other finds it to be a frivolous expense. While both people in a relationship will buy things, most put priorities on different things. Studies have shown that men and women typically spend about the same amount of money but they spend differently.

Often, women buy clothing or things for the house while men buy cars, computers, or TVs. In the end, it usually ends up being about the same amount. It can be difficult to get over judging someone else's spending habits, and if a couple can't achieve harmony, a separate account for designated spending money might be valuable.

Pro: It helps you keep an eye on the big picture.

Sharing a bank account can help you and your significant other work toward mutual financial goals like saving for your dream house, taking a vacation, having kids and eventually sending them off to college, and of course eventual retirement. By pooling your money together, you can keep an eye on the bigger picture effortlessly.

A joint account and awareness of the big picture can also help you to save and plan for emergencies. Even if you have a great career and earn a comfortable living, many people find themselves unprepared when an emergency strikes. You never know when there may be an accident or illness—anything that could throw you off track. Having a little extra money around just in case is easier with a partner whether it's designated for emergencies or saving for a specific goal.

Con: Either of you could drain the account without notifying the other.

It may be your money, but the moment it's deposited into your joint bank account, it becomes both your money in the eyes of the law. That means either of you can take it out without needing the other's permission. It does not matter whether you're the one who earned it or not. During the good times, no one ever thinks about their sweetie taking all their money and running, but it happens more often than you think. Taking precautions to make sure this doesn't happen to you is never a bad idea.

> If you're still having a difficult time deciding what would work best for you and your spouse, a three account solution may be just the thing.

Pro: It's the ultimate trust.

Sharing a bank account could be considered the epitome of a united, trusting relationship. There is no mine and yours if all your eggs are in one basket, only "our money." Sharing everything completely and totally with each other takes a lot of trust, and shouldn't be taken lightly.

Con: It's hard to surprise each other with gifts.

If your partner has a birthday coming up or you want to do something special for your next anniversary, you'll have to get a little crafty if you share an account. Not only will they be able to see what you bought, how much, where, and when you bought it, they may know before the big surprise even has a chance to take place. With online banking, they could find out before you even leave the store.

Pro: In some situations, a shared account may be necessary.

If one spouse is a stay-at-home parent or makes less money than the other, a joint account will be easier than

handing them money for every little thing they may need. It doesn't make any sense for this type of couple to have separate finances. Not only is it more egalitarian, but it will also practically become a necessity.

Con: Bringing together two separate accounts can get messy.

If one spouse has been previously married, they may have financial responsibilities such as alimony or child support payments that you do not. Or, one spouse may owe a ton of money in student loans. Splitting up the bills and accounts may seem likely to ease these types of situations, however, think again. Between the budgeting, transfers, and mathematics, bringing together two operating budgets to run a household when you have separate accounts can feel as complicated as a multinational merger.

Pro: There will be no dictator.

It's inevitable for one spouse to make more money than the other, even if it's not by much. When there is earning inequality, separate accounts mean there is potential for one spouse to get a bigger piece of the pie. In a relationship, it is never a good idea to keep one person in complete control of the others finances. If you carry this concept to the extreme, the primary earner could become the ultimate dictator. Marriage will only work if you both feel respected. A joint account is a good way to keep you both on the same team, and feeling like an equal player in life.

Con: Someone has to be in charge of paying the bills.

When you have a joint account, it will fall upon one of you to pay the bills from that account. For the bills to get paid, someone has to write the checks and keep the account numbers. Depending on your financial situation, that can be a lot of pressure for one person. If you have a lot of bills or are going through financial hardship, trying to pay bills you can't afford puts a lot of stress on one person alone. Separating accounts and debts can help share this responsibility and reduce stress.

If you're still having a difficult time deciding what would work best for you and your spouse, a three account solution may be just the thing. One joint account and an individual account for each of you can help you pay bills together and still save or spend individually as you see fit.

There is no right or wrong answer when it comes to joint or separate accounts. The best solution for your married financial situation is one that is tailored to fit the unique needs of you and your partner, both individually and together.

While setting up a joint bank account to cover shared expenses may be a standard move for many married couples, it can get a little more complicated when you add credit cards to the mix.

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Credit Card Accounts

When two people have a joint credit account, both people can charge to that account, which means many of the above pros and cons apply. In addition to this, your partner will see

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14 Financial Questions to Ask Before Marriage:

1. How much debt do you have?
2. What is your credit score?
3. What assets are you bringing into the marriage?
4. What are your financial/life goals?
5. What kind of lifestyle do you expect to live?
6. Are there any expensive hobbies or interests?
7. What is your approach to saving and investing?
8. Who is paying for what and how will the bills be covered?
9. Who will be responsible for managing household bills and taxes.
10. How many kids do you want?
11. Will one partner stay at home to raise kids?
12. What expectations do you have for your child's education
13. Are there parents or other family members that you may have to care for?
13. What preparations have you made for retirement?

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your credit history, credit score, and your spending habits. You both become liable for all debt incurred on a shared credit card account.

Pro: Credit card rewards will stack up.

Whether your card gives you money back, travel benefits or flyer miles, having two people using the card will double the rewards. If either of you travel a lot for business or like to take vacations, a travel credit card allows you to make use of rewards like stays at top hotels, access to exclusive airport lounges, and even free or discounted flights. Travel reward points will stack up the more you both fly, and can be a great bonus for you both.

Con: Your partner could ruin your good credit score.

Because each person has an individual credit score, when you open a joint credit card or loan account, that information will be reflected on both of your credit reports and vice versa. If one person happens to max out their card or hit hard financial times both of your credit scores will suffer as a result. If one spouse has a low credit score, they could hinder their partner from even being accepted for loans or credit cards, or potentially be the cause of higher interest rates.

Pro: One spouse may benefit from a better credit score and interest rate.

Conversely, couples can take advantage of a joint credit score and interest rate. If one person has a lower credit score while their partner's credit is exemplary, their overall rating together could be improved, and corresponding interest rate won't be near as bad as it would if you both were to have a low score.

Con: You're both legally responsible for making payments.

If separation or death were to happen, the credit card issuer can and will take legal action against you, even if your spouse or ex-spouse made the charges. In extreme cases, you could even be sued or have your wages garnished to make up the payments.

Pro: You could use a separate credit account as a buffer.

If there is ever a scenario that maxes out your credit cards, you could plan to keep a card under a separate account as to not hurt your partner's credit score. Then, you can have a separate credit line for emergencies or joint expenses. Having both individual and joint accounts would be particularly useful for any recovering shopaholics out there. It's also perfect for couples that have a lot of debt.

Con: One person could use the credit card to hurt the other.

Childish things happen, even if we don't like to admit it. As human beings, when we get hurt, we sometimes lash out at the people that hurt us. Married couples may love each other, but that doesn't mean they always get along. Fights happen, and that means the potential of a revenge spending splurge, leaving the significant other with the final bill. A revenge spender in this scenario with a bad credit score would have nothing to lose from a few more late payments, but you might.

Another solution may be to make your spouse an authorized user in the case of emergencies. The authorized user can use your card while remaining unaffected by your credit score, and its much simpler to remove their name from your card. This scenario may help reduce some of the risks while still allowing you to work together.

No matter if you choose to keep separate accounts or join them together, a common goal and cohesive budget are necessary when running a harmonious household. There is no room for financial secrecy in a trusted partnership. Full transparency is important as is promoting a sense of fairness and maintaining a level of independence for each of you.

Stay flexible and remember that what you decide on now may not work forever. Be willing to try new things and change it up until it works well for you and your spouse. As long as you keep a continued, open dialogue, maintain trust, and have a willingness to compromise, your marital money problems should stay at a minimum. Now is the time to start a prosperous financial future TOGETHER.

Family Financial Education Foundation

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