

# Getting Married? Tips on Combining Finances

## What to Know

One way to help make your marriage work is to make the household finances work. This means that the two of you need to agree on how to combine or coordinate your new household's accounts and debt. And while a constructive conversation about household finances may not be the most romantic interaction you can have, it does contribute to the well-being of your marriage.

## What to Do

**Request a free copy of your credit reports at [www.annualcreditreport.com](http://www.annualcreditreport.com)**

Think of your credit report like an ongoing report card of your use, management, and payment discipline of loans, liabilities and obligations like utility bills, car loans, and credit card payments. It may be worthwhile to get credit scores through one of the three credit bureaus: [www.transunion.com](http://www.transunion.com), [www.equifax.com](http://www.equifax.com), or [www.experian.com](http://www.experian.com). With this information you can objectively evaluate your finances and identify the strengths and any weaknesses in the reports, such as high amounts of debt or a history of late payments.

### **List all sources of income and expenses**

All pay stubs, account statements, monthly bills and debt obligations need to be disclosed and listed. With this information you can develop a budget for handling monthly expenses and plan corrective action for any debt-related issues.

### **Open a joint checking account to pay for household expenses**

If neither of you has credit-related problems, then both of your names can be on the account.

If one of you has poor credit, you may choose to have your account in only one name.

### **Decide who is going to pay for what**

*Option 1: "All for One and One for All"*

You may decide to combine incomes and treat all expenses and debt obligations as one.

*Option 2: "Pick and Choose"*

You may agree to assign certain payments to one or the other. For example, if one of you owned a home prior to the marriage, then that spouse may want to continue paying the mortgage. If one of you has student loans or credit card debt that existed before the marriage, that spouse may feel it's their responsibility to pay off those debts themselves.

*Option 3: "Income-based"*

Another way to address finances is to pay ongoing expenses based upon income. For example, if one of you has earned income that equals 60% of household income, then that spouse would be responsible for 60% of household expenses.

### **Discuss the relationship each of you has with money**

If one of you is a big spender and buys on impulse, the two of you need to discuss the potential negative consequences of this behavior and arrive at a workable solution.

## Consider opening a savings account for an “emergency or rainy day fund”

As a couple, one goal should be to have enough in this account to handle an unplanned event or emergency. Three months of earned income is generally recommended; but, the stability and dependability of your combined income should be taken into account when deciding on how much is enough. The two of you can arrive at a monthly amount to save that is affordable and sustainable.

## Update your beneficiaries

If you have IRAs, annuities and life insurance policies, you may want to review and update the beneficiary information. If you participate in an employer-sponsored retirement plan, you’ll need to name your spouse as the beneficiary.

## Take care of your future selves now

Be sure to contribute to your employer-sponsored retirement plan and/or IRA. Every dollar saved now may provide you with several dollars you can use to maintain your dignity and lifestyle during your retirement years. For employer-sponsored retirement plans, it’s generally recommended that you contribute a minimum of 15% of your combined gross pay, or the maximum amount allowed by the IRS.

## Where to Turn

[www.michigan.gov/difs](http://www.michigan.gov/difs)

[www.annualcreditreport.com](http://www.annualcreditreport.com)

[www.transunion.com](http://www.transunion.com)

[www.equifax.com](http://www.equifax.com)

[www.experian.com](http://www.experian.com)



## Money and Marriage: Let’s Talk About It

Financial matters are one of the top reasons for conflicts in a marriage. If you’re not on common ground on money management, you’ll have unstable ground in your marriage. You don’t have to view and manage money in the same way, but it’s important to understand and feel comfortable with your differences.

Money issues can be especially complex for older couples who are getting married. You and your partner likely have ingrained money habits that could be quite similar or hugely different. You may have wide disparities in your debts and assets. You may have children from a previous relationship and want to make special allowances for them.

For example, when marrying for the second time, one partner may want to ensure his or her grown children inherit life insurance proceeds left by a deceased previous spouse. There are various legal structures to consider in this case, such as setting up a trust for the children or using transfer-on-death provisions. Discuss a prenuptial agreement, which can also be a useful tool in situations where there are children from a previous relationship or one partner has substantially more assets. An attorney can provide appropriate advice on these kinds of situations to help make sure everyone’s wishes are honored.

Sometimes one member of the marrying couple owes back taxes, and the other does not want to be liable for the obligation. In that situation, it is recommended to use the “married, filing separately” option allowed by the IRS and to keep finances separate until the back taxes are resolved.

Couples often benefit from discussing money matters like these with a trusted financial advisor. The advisor can serve as an objective, third-party who provides expertise while keeping the conversation focused, positive, and less emotional.

Money is a very personal and emotional topic, but so is marriage. If you hope to share the rest of your life with someone, get started on a solid footing with a clear understanding of your financial life together.