Business

Avoiding marriage's No. 1 pitfall: money troubles

0

Wednesday - 5/16/2012, 11:15am ET

By ALEX VEIGA
AP Business Writer

LOS ANGELES (AP) - Newlyweds and couples moving toward marriage, take note. Love, as it turns out, is not all you need.

Not if your goal is to avoid the No. 1 reason marriages end in divorce: Money problems.

Everyone knows, or should know, this. But love and a reluctance to take a hard look at our own financial habits, often keep us from seeing, much less confronting, potential financial troubles in a relationship.

Failing to do so, however, can lead to serious post-wedding day troubles.

"Mature, responsible conversations about money are a sign of a marriage that's going to be healthy and wonderful and enduring," says Brooke Salvini, a certified financial planner based in San Louis Obispo, Calif. "If you can't talk about money when you are dating, that is a red flag right there."

To get the conversation rolling, here are seven steps experts recommend to steer clear of potential marital money troubles:

1. DISCLOSE FINANCIAL RECORDS

Before corporations merge they go through a period when both sides get a close look at each other's financial records. Take the same approach before you get hitched.

Swap statements for your bank accounts, credit cards, student loans, retirement accounts and so on. Also share credit reports and FICO scores.

"Not only can you start to put together a balance sheet of what the two of you own and what your debts are, you can start to discuss `do we want to combine our checking account?'" says Salvini.

2. DISCUSS FINANCIAL GOALS

A huge part of getting in sync with your spouse begins with discussing major life goals and the necessary financial commitments.

Discuss short-term goals, such as paying off credit card debt, and then craft a budget that sets you clearly on a path toward your goals.

3. BUDGET YOUR SPENDING

Failing to create and stick to a mutually agreed upon budget can lead to marital strife.

It doesn't have to be complicated, though. Start off by listing monthly income. Be sure to add in interest earned on money-market accounts and dividends from any investments. Then add up expenses, everything from car payments, rent, to groceries, gym membership and utilities.

If you're making more than you spend each month, you can begin planning how to set aside money for long-term financial goals. If not, time to consider ways to cut spending.

4. TREAT YOUR MONEY AS OUR MONEY

Many newlyweds continue to see the money they earn individually as their own, much like if they might merely be roommates. They keep separate bank accounts and pitch in, perhaps equally, or not, to paying bills.

But that can lead to problems, especially if one spouse earns a lot more than the other, says Anthony Chambers, a clinical psychologist at the Family Institute at Northwestern University.

If both spouses work, he suggests they arrange for their paychecks to be deposited directly into a joint account that's used to pay all shared expenses. If they feel they need to have some of their own play money in a separate account, that's fine. But Chambers says the funds should come from the joint account so both spouses know where the money is going.

5. KEEP CREDIT CARDS SEPARATE

It's not necessary to make your spouse a joint accountholder on your credit cards, especially if he or she has a poor credit history, which can drag down your own credit rating. Instead, make your spouse an authorized user of your credit cards. This will avoid any potential impact to your credit rating. As a safeguard, authorized users are also able to check account balances and track spending on the card.

Often those habits are developed early and are entrenched. One person might have grown up in a family that counted every penny. Another might part far more easily with money because shopping became a hobby.

Beyond how much someone likes to spend there are potential conflicts over what we see as a must-have.

Even small differences can become wedge issues later on.

"The central task of marriage is the management of differences," says Chambers. "So you want to be able to know early on what those differences are."

Puppy From Heaven

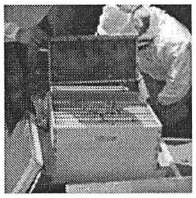
To little boy's delight, a puppy falls out of the sky. (Video)

The Kiss

Meet the local woman who was swept off her feet by this sailor.

Later Gator (Video)

What happens when a gator and a man tango by the side of the road?



Community Buzz

Meet the newest members of a D.C. shared garden. (Photos)