Daily Union Article
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Title: Money Talks – Part 2

In last week's article, I shared information on three different ways couples can decide how they want to handle their money: 1) Equal Share, 2) Proportional Share, and 3) Poolers. Regardless of which method a couple uses to handle the income they contribute to the relationship, it is important that they have multiple conversations about money before they get married to give the relationship a good start in this area.

The key to managing money as a couple is to keep the lines of communication open. Each person was raised in a family with values and attitudes that were likely different from the other. Bringing those two viewpoints together for discussion may seem uncomfortable or even stressful. However, open communication about family finances results in better decisions.

Because discussions around money can sometimes generate a wide variety of emotions, having honest and transparent conversations are necessary. Discuss the ground rules you would like to have honored during these difficult conversations. For example, establish that whoever earns the money doesn't necessarily have the right to solely dictate how it should be spent. Let each person in the family share what he or she wants, needs, and personal feelings. Avoid judgement when others are sharing and listen attentively to what the other person is saying. Negotiate on those items that you value differently. You may find it helpful to prepare a written agreement to help avoid misunderstandings. Providing a "safe" environment in which you can talk about money will help the conversations go more smoothly.

Here are some of the key points couples should address early on:

- ✓ Share information about your income and the amount of debts you are bringing into the relationship and/or marriage. This should not be a "one and done" type conversation but should happen frequently. Make a habit of talking with your partner about money and work on a spending plan that you both agree to.
- ✓ Obtain your credit report and share it with your partner. If you combine your resources and debt, you can expect that you and your partner's credit scores will impact future purchases – especially once you are married.
- ✓ Never hide debt from your spouse. This not only can break the trust your spouse has in you, but it also creates a tremendous amout of stress on both sides of the relationship.
- ✓ Discuss your financial goals. Where do you want to be financially in a year, 5 years, and 10 years or beyond? If necessary, seek compromises in establishing financial goals for your relationship. It requires a give and take approach on some issues, but it is all part of marriage.

- ✓ Establish a spending plan to determine where your money will go. When you both agree to a spending plan, it makes it much easier to make sure each person's needs are being met.
- ✓ Explore different ways you can develop a record-keeping system. Determine which system works best for the two of you. Even if only one of you take on the responsibility for using the system, it is still wise that you BOTH know what the system is and how it works. You never know when a crisis may come that requires a partner to take over the finances.
- ✓ Set a specific time each month for you and your spouse to sit down and discuss finances. Pull out your short term financial goals to see if you have achieved any of them. You should also take a look at ALL your financial goals to see if you are making forward progress toward achieving them. Make adjustments to your spending plan if needed.
- ✓ Build an emergency savings account for unexpected expenses or other unforeseen financial obstacles. Generally, financial management specialists recommend that a family have 3 to 6 months of income stashed away for a minimal emergency fund. Just keep in mind that "something is better than nothing". Perhaps you can't save that much for an emergency fund. In that case, start slow. If you were to put $25 a week aside for the emergency fund, you would have $1,300 saved in a year and $2,600 in two years!
- ✓ Develop smart money-handling habits. For example, identify how much you can afford to spend on groceries each week, put that amount in an envelope in your wallet or purse. When the money is gone, avoid going to the grocery store so that you don't spend money from another category in your spending plan.
- ✓ Pay cash! This goes along with smart money-handling habits. When you pay with cash you are less likely to overspend. If you don't want to carry cash, then make yourself write a check. Slowing down the process of paying for items will help you rethink what you intend to purchase.
- ✓ As a rule of thumb, limit your total consumer debt to 20% of your take-home pay. Consumer debt includes car payments, credit card payments – everything but your house.
- ✓ Learn about income taxes. The rules are different for married couples than for those filing as an individual. You may find it to your advantage to itemize your deductions.
- ✓ Learn about insurance. There are many options available for health, auto, and life insurance. Make sure you are getting the best coverage for the best price.

Keeping the lines of communication open and honest will help your relationship stay strong, focused, and happy. This holds true for having "money talks", as well. For more information about personal financial management you can contact me at the Geary County K-State Research and Extension office at 785-238-4161. Until next time, keep living resourcefully!