Daily Union Article

Saturday January 26, 2018

Title: Conversations about Money

Money makes the world go around, but if not handled carefully and openly, it can bring your world to a stop. Engaging in money conversations before and during a marriage is especially important to the health of that relationship.

Research has found that “couples who reported disagreeing about finances once a week were over 30 percent more likely to divorce over time than couples who reported disagreeing about finances a few times per month.”

Source: Jeffery Dew; http://www.stateofourunions.org/2009/bank_on_it.php

Money often becomes a major source of conflict for couples. For that reason, it makes sense that open communication and a willingness to problem-solve as a team will help prevent conflicts about money.

In truth, money itself is less the cause of conflict than the decisions we make about to handle money. For most people, their spending habits and financial priorities are very sensitive and personal. This can make money a tough conversation to have that some couples try to avoid. Consider the impact this can have. For example, image the shock of learning your new spouse owed thousands of dollars on multiple credit cards and student loans that they did not disclose before getting married.

In another example, imagine the pain of finding out your spouse, who makes more money than you do, expected you to equally share all expenses of the household and what is left from your paycheck (if anything) was your spending money.

If couples in these two examples had talked about money before their marriages, the shock and pain of the after-vows revelations could have been minimized, if not avoided.

Couples who are planning a permanent relationship need to understand that they each have their unique money experiences and values. Values are what is important to you as an individual. Values are influenced by a wide variety of factors. At birth, you had no values or expectations. We begin the process of forming our own values and expectations as a result of how we are parented and how the adults in our lives guide us. We learn by example and through observation. As we grow older, we build the capacity to help mold and refine our personal values.

In a marriage relationship, you are bringing those values together and there is likely several things you value differently. Money is commonly one of those things. For example, one person may value spending money while the other might value saving it. That’s a built-in conflict, but not the only one, that can affect a marriage.

You can't assume that if you are both savers or both spenders, everything will work out, either. Two savers could have a major disagreement on how to invest money. Two spenders could run out of money before the end of the month. In either situation, it could result in a disagreement.

How your parents or guardians handled money has a major influence on your personal money management style. Who was the bookkeeper? Who wrote the checks or established the electronic funds transfer to pay the bills? Were bills paid on time or were bill collectors commonly calling your home? These childhood experiences affect how you approach financial decisions and how you have developed your own financial habits. This doesn't make one person better than the other person. It does, however, make a case for why it is important to talk about each other's experiences and blend your styles for handling money before you combine financial resources.

Couples need to decide how they are going to handle money. Regardless of whether the household has on or two incomes, couples need to discuss how they will handle their finances. Two income couples can consider several different methods for managing the family's money:

Equal Share – In this arrangement, each person puts an equal amount of their paycheck into a joint checking account to cover basic household expenses. Equal amounts are also contributed to a joint savings account. Each person can then decide how they want to spend or save the money that is left over from their paycheck.

The advantages to this approach is that each spouse contributes to both daily and long-term expenses and each spouse has some money to call his/her own.

The disadvantage of the Equal Share ties back to one of the examples previously in this article: one spouse may earn less money, so the contribution leaves little personal money and may lead to conflict and/or resentment.

Proportional Share – Each spouse contributes a percentage of their income to cover household expenses and joint savings. The remainder is theirs to do with as they please.

The advantages to this approach is that both spouses are contributing to the household expenses and items they want to purchase and each has some money left to call their own. Similar to the disadvantage for the equal share approach, the higher income earner has more personal money to spend and/or save.

Poolers – In this arrangement, both paychecks are deposited into a joint account and used for both household and personal expenses.

This approach has some advantages: 1) The work of each spouse is valued equally, regardless of income earned and 2) Record-keeping is simplified.

The disadvantages for poolers are: 1) Both spouses may feel obligated to discuss all purchases with each other and 2) Couples need to determine an allowance for each spouse.

Once you decide your approach for blending incomes, there are many other important topics to include in your money talks. Check out next week’s article to learn about these topics and more. You can also contact me at the Geary County K-State Research and Extension office, 785-238-4161 for more information about resource management tools. Until next time, keep living resourcefully!