

## For Richer or Poorer

February 2003

Although our wives will insist that this is far beyond our realm of expertise, allow us this one and only attempt at marriage counseling. We begin with the #1 stress factor leading to divorce among married couples in the United States. Children maybe? Poor communication? Golf? In-laws? All are good guesses; but none even close. Rather, the leading cause of divorce today is *dispute over finances*. While the financial strain we experienced as singles seems difficult enough, it is often compounded in marriage. "I do" may be one of the last times some couples agree on anything, let alone how to spend money. There is a natural conflict between a family's dreams and their financial reality. The good news is that marital discord over finances can be alleviated with a few basic steps.

A couple's finances should be shared and nurtured, not shrouded in secrecy. While it's natural for one spouse to handle the checkbook, the other should remain informed. If one of the spouses is intimidated by money, it's usually due to lack of familiarity. A natural starting point is to figure the household income. Include bonuses, interest, dividends, royalties etc. Next, itemize all monthly expenses. Be honest here. Fixed expenses are easily identified and quantified. It's the discretionary costs such as dining and impulse purchases that are hard to track and invariably blow the budget.

Next, review checking accounts and credit cards. We suggest each working spouse have his or her own checking account along with one joint account. This is a matter of convenience and function. Monthly balancing, direct deposit and personal autonomy are less complicated with individual accounts. The downside is that expenses are harder to track. Nonetheless, the joint account can then be viewed as the monthly savings vehicle. Larger, planned expenditures and contingencies, such as say, new golf clubs, should be drawn on the joint account.

Regarding credit cards, we feel one major credit card (VISA, MC, AMEX) with each spouse having access is sufficient. Most people carry far too many cards, which are a security risk and taints your credit even if they are not being used. Plus, one consolidated statement enables easier tracking of expenses. Also, consider card issuers (Capital One, most major airlines) that provide airline miles or cash-back bonuses. With two cardholders per account, these bonuses accumulate more quickly. Note, however, that if you need to incur business charges, a separate designated card should be used. And, of course, use credit cards only for convenience and not for credit. A home equity line, in contrast, would carry a lower interest rate and may provide deductibility of the interest paid.

Next, we would strongly encourage couples to maintain some form of financial filing system. (Ideally, these files would be centrally located, preferably in a fireproof safe, where both spouses can access. For starters, we suggest the following:

- **Bank Statements** – keep for three years
- **Tax Returns** – Indefinitely
- **Insurance Policies** for home, autos, life, disability, personal – indefinitely (but only current policies)
- **Investments, IRA's, 401(k)'s** – year-end statements are sufficient. Maintain for basis information.
- **Credit card numbers** – maintain separately as long as you hold the card.
- **Photographs of assets** – in case of fire or other casualty

These basic steps encourage communication between loved ones. Marriage can be trying enough without the money worries. For those who are single, consider that most divorce-causing issues exist before the wedding. They remain undetected because we don't often fail to discuss certain matters of importance. An upfront discussion on finances may not be the most romantic Valentine gift but it may produce dividends later.