

# Wealthy Hearts

## A GUIDE TO FINANCIAL UNITY AS A COUPLE



Being newly married is an exciting time, as you have committed to each other at the highest level, forming a union meant to last a lifetime. However, this union also brings the merging of finances, which can be a source of stress for many couples. To alleviate this stress, newlyweds should have a plan for spending, saving, and investing their money. In this guide, we share the key financial conversations couples should have immediately after marriage to ensure financial harmony.

### Decide if You Will Have a Joint Account or Separate Accounts

Choosing between having separate or joint accounts can be a difficult decision for newlyweds. On the one hand, a joint account can foster an environment of communication and trust as you and your partner work together to pay off bills and save toward your mutual goals. On the other hand, if one or both partners have premarital debt such as student loans or credit card debt, then your monthly payments may be raised due to your increased income. Below are some considerations to be made when deciding on your account(s).

#### Pros of a joint account:

- Ability to jointly pay for living expenses such as rent, mortgage, utilities, groceries
- Increases transparency on spending and saving habits
- Better oversight with creating and managing a household budget
- Can enhance financial intimacy

#### Pros of separate accounts:

- More privacy and autonomy when it comes to spending
- Leaves the other partner unaccountable for their debt
- Protects individual assets
- Easier to split assets in the event of separation or divorce

#### Cons of a joint account:

- Harder to surprise the other partner with gifts for special occasions
- Both partners become accountable for each other's debt taken out in the marriage
- Other partner will have a claim to premarital savings
- Can spur up disagreements about money
- Challenging in the event of separation or divorce

#### Cons of a separate accounts:

- Harder to keep track of payments toward household expenses
- Can be hard to access the account if the account owner is incapacitated
- Couples may feel less unified
- Harder to contribute toward shared financial goals

### Consider a hybrid approach:

Instead of debating between having either separate or joint accounts, consider using a hybrid approach where couples have a joint account for paying for household expenses and whatever is left over goes into your individual accounts. This allows each partner to have control over their recreational spending such as a night out with friends or clothing while ensuring that the living expenses are taken care of. Additionally, it creates equity in your relationship if your other partner makes a different salary than you do. Regardless of which option you choose, it is important to be unified as a couple about finances by communicating and being transparent with one another.



### Discuss Income Disparity

It's uncommon for couples to earn the same amount of money throughout their marriage. Additionally, one spouse may eventually need to take a break from work due to pregnancy, illness, or a layoff. Therefore, it's crucial for couples to discuss how finances will be managed if one spouse earns significantly more than the other or if only one person is bringing in income. In these situations, aiming for equity rather than equality can be beneficial. One way to achieve equity is by agreeing to contribute a set percentage of your income to household expenses. For an unemployed spouse, this might mean taking on more household responsibilities and errands. Whatever approach you choose, ensure that both partners are honest and comfortable with the decision.

### Create a Monthly Household Budget

Creating a budget can sound like a tedious task, but it is necessary to ensure you can both cover day-to-day expenses and meet your saving goals. However, many couples struggle with where to begin in budgeting. Here are some tips on how to work with your partner to create a household budget:

1

#### Calculate

Get together with your partner to calculate your combined take-home pay along with any other additional accounts that drive income.

2

#### Document expenses

List and categorize your monthly expenses using one of the apps on your phone or with a spreadsheet to visualize where you spend your money each month.

3

#### Set up a budgeting plan

You most likely have short- and long-term goals that you want to achieve such as paying off credit card debt or saving for retirement. Those goals can be easily woven into your budget plan. Couples can opt to use budgeting strategies, like the 50/30/20 rule where 50% of income goes toward needs, 30% goes toward wants, and 20% goes toward savings or debt, or a zero-based budget where you use every dollar you make toward a specific expense or saving goal.

4

#### Make a plan for paying down debt

If you have debts incurred before marriage, such as student loans, your spouse is not legally responsible for paying them off. However, some couples choose to work together to pay off each other's premarital debt to achieve their shared financial goals. If you decide to do this, it's recommended to meet with an attorney to draft a written agreement outlining the terms of the joint repayment. It's important to remember that any debt taken on after marriage is considered marital debt, which you both are responsible for.

## Plan for the Unexpected

Unexpected life events such as hospitalization, urgent car repairs, or your home flooding can significantly affect your financial situation. Therefore, it is important to be prepared for unexpected events. Here are some ways to ensure that you are protected in the event of financial hardship:

### 1 Create an emergency fund

Creating an emergency fund is the first step in preparing for an unexpected event. Families should aim to have enough funds to cover at least three to six months' worth of basic living expenses such as housing, utilities, groceries, clothing, and gas.

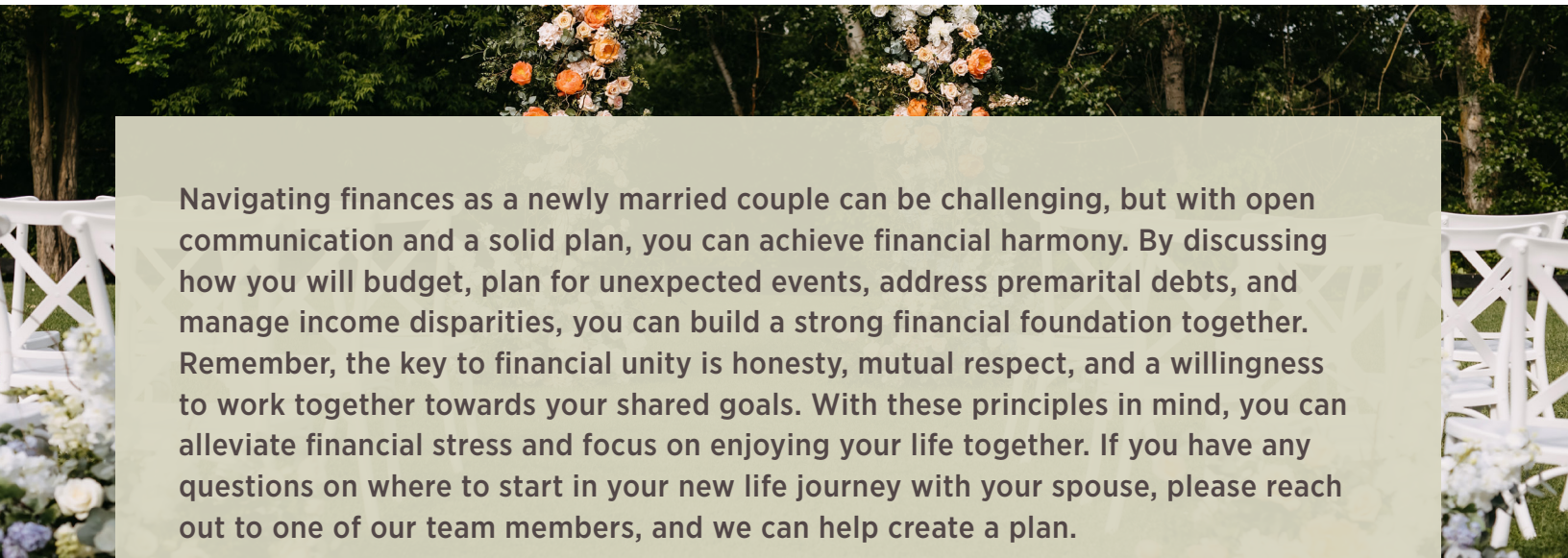
### 2 Review your insurance policies

It's important to review your insurance policies, such as life or disability insurance, to ensure that everything matches your current situation. For example, if you recently got married or have had a child, you may want to add them as a beneficiary in the event of your death along with your spouse. For disability insurance through your employer, review what qualifies as a disability and how long benefits will be paid out if you are unable to work.

You should also review your disaster insurance policy. Natural disasters like earthquakes, wildfires, hurricanes, and tornadoes are typically covered under homeowner and renters insurance policies, but it's essential to review your policy to see what type of coverage you have in case of a disaster. You can consider getting a umbrella liability policy, which is a type of insurance that provides additional liability coverage beyond what may be provided in an existing homeowners, renters or auto insurance policy.

### 3 Create estate documents

If you have not already done so, now is a great time to talk to your advisor about creating an estate plan that details the distribution of your assets in the event of your death or incapacity. By establishing estate documents, including power of attorney, you ensure that your properties and other assets are in the hands of people you trust, like your spouse and/or children, and are executed in line with your wishes.



Navigating finances as a newly married couple can be challenging, but with open communication and a solid plan, you can achieve financial harmony. By discussing how you will budget, plan for unexpected events, address premarital debts, and manage income disparities, you can build a strong financial foundation together. Remember, the key to financial unity is honesty, mutual respect, and a willingness to work together towards your shared goals. With these principles in mind, you can alleviate financial stress and focus on enjoying your life together. If you have any questions on where to start in your new life journey with your spouse, please reach out to one of our team members, and we can help create a plan.



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