
THE

MONEY TALK

GUIDE TO FINANCIAL
COMPATABILITY



LISTEN MONEY MATTERS

Introduction

Money can be a contentious issue in a relationship and fights about it are one of the leading causes of divorce. Part of the problem is the taboo surrounding money. It's a hard topic to discuss and there is a lot of emotion around it.

But if you want to have a lasting relationship, you have to discuss money and you have to discuss it often, at least until you and your partner come to an agreement and implement systems that will allow money to remain in the background of your life and your relationship.

We get a lot of questions about how to handle money in relationships and if dozens of you are asking about it, hundreds of you have the same questions. We wanted to provide you with a blueprint to address money issues in each stage of a relationship so it never becomes a divisive issue between you and your partner.

The time and place is important when you discuss money and both should be neutral. If you're on a date and your partner's credit card is declined, that's not the ideal time to start grilling them about money.

Mind your language too. Don't use phrases like "you never" or "you always." It sounds accusatory and will put the other person on the defensive which does nothing to foster an open discussion.

And remember above all, you care about this person and they care about you. If you always have that in the forefront of your mind, conversations with your partner about money, or anything else, will be much more productive.



Dating

These questions are not the ones you want to crack out on a first date, lest you be seen as some sort of grasping scoundrel. These are questions to bring up when things are starting to look serious, when you are getting to the point in the relationship when you are considering joining your life and therefore your finances with this person.

If you get some answers that look like red flags, take them as such. Love can be blind and some of us are willing to overlook a lot in the throes of a new romance. And you can overlook them. Just because someone gives less than ideal answers doesn't mean you have to jettison the relationship and there are problems that can be resolved. But you should proceed with caution before becoming financially involved with this person.

What kind of debt do you have and how much?

If there is debt, ask how they are tackling it. Do they have a plan like snowballing or stacking or are they just throwing a few extra bucks at it when they have money left over at the end of the month?

What is your credit score?

Credit score affects the kind of interest rates you get when you take out loans for things like a house or a car. If they don't know, they can find out at Credit Karma.

Do you pay off your credit cards in full each month?

There is nothing wrong, and actually some benefits to using a credit card rather than cash or a debit card as long as the entire balance is paid each month.

Do you have money saved?

While saving money is a good thing, it's also important where it's saved.

What is your salary?

Factor in bonuses, overtime, etc.

Do you have more than one source of income?

There is no such thing as job security for most of us so having money coming from more than one source is important.

What are your career plans?

Moving up in their current company, going back to school, they have none? This affects their future and yours.

Do you have health insurance?

Medical bills are the leading cause of bankruptcy so this is important.

Have ever been fired from a job?

Once is not a big deal, you're looking for a pattern.

What are your luxuries?

We can all have a few but it could be trouble ahead if they rattle of a list longer than your arm.

What is the purpose of money?

For some of us it's to buy stuff, for some of us, it's security, for others, freedom.

Do you have an emergency fund?

Having an emergency fund can be the difference between some belt tightening and a financial disaster. Ideally, an emergency fund should be 6 months of expenses but having anything less than \$1,000 is not a promising sign.

What are your financial priorities?

If your partner has debt, paying it off should be the answer. Other good answers are having a net worth of X by X date, retiring by age 50, buying some investment properties. Basically, you want someone who has financial goals.

What was your biggest money lesson?

Hopefully they learned it the first time.

Do you track your finances?

With all of the software available, much of it free, there is no reason to answer “no” to this.

Did your parents teach you about money?

Some of us learn what to do from our parents, some of us learn what not to do from them.

Do your parents give you any financial help now?

The older the person, the less acceptable most people are going to find being finances by parents.

Have you ever declared bankruptcy?

If so, how long ago?

Have you co-signed a loan with anyone?

If the answer is “yes,” ask how long ago. It takes about 7 years for a bankruptcy to fall off a credit report.



Before Marriage

Things are getting serious now. You are engaged or the subject has been discussed and you are heading that way. While you can overlook some small red flags in the answers to the questions asked during the dating phase, ignore them now at your peril. If there are problems at this stage that can't be resolved, then either get an iron-clad prenuptial agreement or don't take the next step.

Will we have a prenuptial agreement?

This might be the most contentious question on this list so be prepared, whichever side of the divide you're on.

Will we join our finances?

One big pot, three pots, yours, mine, and ours? Lots of ways to handle this but you have to agree.

How many children (if any) do we want?

If the answer is any number above zero, this is going to open up a whole list of other questions so be prepared.

Where will we live?

If your spouse-to-be is close to their family, will they move with you if you get a great job opportunity on the other side of the country? If you have children, will one you want to move back to be near family so they can help?

Would you accept money from family for something like a home down payment?

In-laws interfering in finances, however well meaning, is going to be hard to accept for some people.

What do you consider financial obligations to our families?

It can be contentious enough deciding whose family to visit on holidays but if you really want things to get nasty, marry someone who thinks they're obligated to support their dead-beat brother.

What is your biggest financial concern?

The answer will give you some insight into financial goals which are something that have to be shared.

Do you have any liens against you?

If the answer is yes, that can affect things like getting future loans for things like cars and mortgages.

Do you have any accounts in collections?

Again, this can affect future loans.

Do you regularly give to charity?

Charitable giving is important to some people and others consider it crazy to give away money.

Would you consider bankruptcy if we got in over our heads?

Sometimes it is the best solution but not everyone will consider it.



After Marriage

You've done it now and for better or worse, you need to make this work. If you've had all of the discussions we outlined above and still went through with it, chances are you won't have a lot of fights about money. You don't want to get too complacent though. Things change, people change, the unexpected happens. Money should be on on-going conversation.

How often should we talk about money?

The best answer to this is “regularly.” How often that is depends on whether or not you and your spouse are largely on the same page about finances.

How interested are you in our finances?

It’s okay if one partner takes the lead but the other has to participate too.

What do you consider a “big” financial decision?

“Big” meaning you both have to agree on what to do before any decision is made.

What is your definition of a financial emergency?

If you answer a leaking roof and your partner answers the latest i-Phone, you have some mid-ground to find.

What is your risk tolerance for investing?

Some people are afraid to do more than let their money sit in a savings account where it’s making sub 1% interest. Some people want to day trade.

Estate Planning

This is more important if you have children and once you start accruing some real wealth.

Do we have enough insurance?

Health, life, disability. The older you are, the more you need (like money).

Do you want to make a living will?

Being legally next of kin doesn't guarantee you won't have a protracted legal battle if your spouse's parents don't agree with your decisions. Remember Terri Schiavo?

Holidays

Discuss holidays, the Christmas kind and the vacation kind. Some families are very attached to their traditions.

What is the upper limit?

No one should have to account for every coin they spend on themselves but there should be a limit and you should put a dollar amount on how much one can spend without consulting the other.

What is our retirement plan?

Discuss retirement not just in the sense of how much money you'll save for it but also, what will your retirements look like?

Transitions

We know that talking about money isn't easy and you may get some push back, some pretty angry push back, when you broach the subject. We took some common angry responses and provided you with counters so you can bring the tension down and have a constructive conversation.

It's none of your business!

Some people are touchy about money; it's still a taboo subject so this isn't an uncommon response. Explain that you aren't prying; you're thinking of your future together and while this might be an uncomfortable subject, there is no getting around the importance of it. Ask what they are comfortable disclosing and go from there.

My credit score doesn't matter. We're not buying a home for years.

It's not hard to improve your credit score but it doesn't happen overnight either. When you are ready, you want to make sure that you're in the best possible position to make the biggest purchase you will ever make.

I don't need an emergency fund. I have credit cards.

Having an emergency fund is so you don't have to use credit cards and rack up huge interest payments if an unexpected expense comes up. An emergency can be weathered, getting out of credit card debt is much harder.

I don't know. That's too far in the future.

You might get this in response to things like where will we live or will we pay for our children's education. Tell your partner that you aren't looking for a definite answer, just a general idea. Or ask what they don't want in regard to your question.

Some people would never dream of living abroad after retirement or not helping their children pay for college.

You don't trust me!

It can be hard to talk around this one, especially if it's in regard to a pre-nup. The best you can do is explain that you want to make sure both of you and any future children are protected in the event of a divorce.

You're trying to control me!

Money means independence for most of us but there is no question that you give up a degree of independence when you marry and join finances. Tell your partner that you're not trying to control them, but trying to control the goals and plans the two of you have made together for your future.

I make my own money.

It's likely that you both make your own money but you don't each live in your own house and have your own bills. These things are shared and the decisions about money have to be shared as well.

I'm not stupid!

You might get this reaction if you're trying to explain a more complicated money concept to your partner like IRA's or tax loss harvesting. Let them know that you just want to be sure they understand all of the various aspects of your shared money so that you can both make good decisions together.

You're too cheap!

Discuss what your discretionary spending priorities are. You might have blown up because he spent \$100 on a bottle of Scotch. But he has three pairs of shoes and you have 50. You would never spend that much on Scotch but you spend your fair share on shoes. So he can have the Scotch and you can have the shoes.

Now, if your partner has to have the best of everything, there isn't room for that unless you are fabulously rich but we should all be allowed some areas of indulgence.

You're obsessed with money! It's all you want to talk about.

Money is not the most scintillating subject and most normal people don't want to talk about it all the time. Let your partner know that you don't enjoy talking about it either but by doing so, you can avoid fighting about it.

I don't want you to worry about it. I'll handle it.

First of all, family finances are too big a job for one person and it's unfair that the burden should fall solely on one of you. Secondly, having another person looking over your financial shoulder provides a checks and balances system.

Of course we'll join our finances. We should share everything.

If each of you has some money of your own, that is money you don't need "approval" to spend and that is something everyone is entitled to.

This is boring. I just prefer it if you handle it and leave me out of it.

It's not the most romantic topic but it's important that you're both involved. A discussion about your finances on a month or so isn't too much to ask. Lots of grown up things are boring but we still have to do them.

I don't want your parents involved in our finances.

Define under what circumstances you would take money from family. The bank of mom and dad is a pretty good alternative to foreclosure for instance.

Conclusion

Money is like death, religion, and politics. It can be uncomfortable to discuss. But there is no way around it. If you want to have a successful relationship, money has to be discussed the way people used to be encouraged to vote in Chicago, early and often.

If you follow this blueprint, money never has to come between you and your partner. You can define, share, and work toward goals together. An really, whether we're talking about money or anything else, that's what a good relationship is built on.