

8 FINANCIAL MISTAKES COUPLES MAKE

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Money, money is all some people think about, say some. Sometimes those saying that could well pay more attention to this medium of exchange relating to goods and services. People can be very emotional and reactive when it comes down to the money word or situation, where instead they should be more strategic.

Studies show money is the No.1 reason why couples argue, often with the end result being divorce. Moreover, when the tensions and emotions get hottest people are more likely to make 'errors of judgement' with their finances. Lawyers prosper from injudicious marital/partnership disputes where, if a business approach was taken by the warring couple, decisions could be reached and costs cut back. Each party may still feel aggrieved but they will probably feel this way no matter the outcome, but isn't it better to look for a 'win-win' position?

I know some out there will say 'I'm going to take you for all you've got' but that is the very situation other parties profit from and ultimately in some way you are the loser.

1. **Approach family finances** in a businesslike way. You are effectively a business which succeeds or destroys itself from the way that incoming money is handled.
2. **To merge finances or keep 'em separate?** The approach to this one can vary between couples and usually the simpler that finances are kept; the less likely there is to be problems. Often hedging the position meets personal security and independence requirements ie Each partner has their own bank account and for all savings and major expenditure, mortgage, bills, insurance etc you conduct a joint account – this is effectively your 'business' and the vehicle that decides your future.
3. **Keep debt under control** by making sure that you don't have too many different debts. It has been shown that couples with five or more different types of debt are the most likely to get into trouble. Debt issues are the most likely to spark a fight. Couples often don't see eye to eye on how much debt is too much and which kind of debt is bad. One spouse can also enter a relationship with much more debt than the other, causing an immediate imbalance. If that spouse has bad credit or a low credit score, it could adversely impact the more important decision for your future such as buying a home and obtaining a mortgage.
Somehow it sounds cold that given the flushy warmth of love, you should check out your partner's wallet. Many of those who argue or have been separated possibly wish they had checked out the money habits of their partners earlier.
4. **Check that spending.** So often we see people justifying a huge flat screen TV or an expensive car because that is what he likes. This is OK when you have the incoming dosh to feed the feeling, but a sign of bad management when you can't pay the rent, the mortgage or in other words run the 'family business' as if you were the prudent director.
5. **Set investment goals and time frames.** A couple must work together on this; remember you are both driving the business called Family Inc. Take advantage of KiwiSaver or employer super schemes which put something toward your retirement. Talk together about 'risk' as in what type of investments to do. If you are wise, this would have been done before the knot was tied, so that you both know you are on the right ship – Family Inc.
An Authorised Financial Adviser can help tremendously in the area of investment selection. Make sure they can also discuss the investment property option as well.
6. **Money Secrets?** There are none between partners. Big financial secrets can ruin a marriage and can ruin the image you had of your partner should he/she make an untimely departure. Gambling with your finances and certainly just plain gambling can bring a marriage down. You need to be honest about the finances of 'Family Inc' to your partner but also honest to yourself. We see a lot of ostriches, which have a brain so small they can't recognise the error of their ways and, in time, are doomed to failure.
7. **The Emergency Plan** could be what saves you if you have a blip in your lives. Some things can be protected against with Life, Income and Health insurances, which should be part of Family Inc's planning. But there are other things such as someone dying overseas, a sudden call to holiday with a friend or losing a job.
A fund of at least three months income should be available, just in case. If you never need it, then you have that in retirement.
8. Don't forget to re-do your Will when you are entering into a new relationship. By not putting this into the business mix you will die intestate as the new relationship once gelled makes any previous Will null and void. Don't hesitate to talk to your lawyer or someone like Public Trust to put this in place.

Care has been taken to ensure that any information is accurate. No liability is accepted for its use. Enquiries are welcome. Allistar Walker is a Senior Fellow of Financial Services Institute of Australasia and an accredited mortgage/insurance advisor. His full disclosure is available free at www.mortgagehelp.co.nz or he can be contacted at 410 6023 and enquiry@mortgagehelp.co.nz.