



Merge Your Money - and Make It Work!

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Admit it - we all have our weaknesses when it comes to money. Whether you spend too much or spend very little, these habits often have nothing to do with how much money you have (or don't have) and everything to do with the way you were raised. Some of us grew up watching parents struggle and we refuse to deny ourselves that new HDTV. Some of us grew up with compulsive savers and won't spend a dime without knowing we can get it back.

But how do you know if the love of your life sees the value of a dollar the way you do?

In a relationship - whether you are married or not - combining your finances can be one of the most difficult tasks put before the two of you, so it's important that you talk about it ahead of time.

Be careful though - emotions run high when you talk about money. They can run even higher if one makes substantially more money than the other or if you have two very distinctive spending habits. To help make the process run more smoothly, keep the communication lines open between the two of you at all times, be honest, and be willing to compromise a little bit. Money matters are like anything else when you're in a relationship - it's no longer just all about you.

Before you begin discussing the option of merging your money you should know that you have three solid options to choose from:

- The "What's Mine Is Yours" option:
Joint checking & savings
- The "Independent Couple" option:
Separate checking & savings
- The "We Need Some Space" option:
Joint & separate accounts

There is not a "one size fits all" option, so it's up to the two of you to decide what works best. One option may be better for your relationship than the other. If you try out one option and it doesn't work, don't worry - just try another way.

Not sure which financial path to take? To help make your decision, here are a few advantages and disadvantages of each option.

The "What's Mine Is Yours" Option: Joint Checking & Savings

This one is an easy set up. You'll have a joint account that EVERYTHING comes out of.

Advantages

- Less paperwork - because you only have one account and one statement at month's end.
- You each know where you stand financially. If you both see the month end statement from the credit union or bank, you know exactly what was spent.
- Expenses are easy - everything comes out of the same pot so there is no arguing about who is paying for what.

Disadvantages

- You may have to work harder to make sure your checkbook balances. After all, how well did you do it when it was just yours? And now it has to be done for two people!?
- If your salaries are dramatically different or if only one of you works, there could potentially be some hurt feelings. The partner bringing home more money may feel penalized by a joint account because they feel they should get a bigger slice of the pie.
- No privacy. Everything purchased is out in the open - from the price of your anniversary gifts to the "sale" price of those Jimmy Choo shoes to the cash taken out for a night out with the boys, no purchases are a secret.



Miscellaneous Tips:

- Always discuss purchases that are over a comfortable amount (let's say \$150) before you buy. This way, it's not as much of a surprise and you will know you can cover it. A decision is made when you have two yes's or one no.
- Assign duties based on each person's strengths. Decide who is responsible for making sure the bills are paid on time, consolidating statements, keeping tabs on spending and saving, organizing, etc. Use this time to get better at some of your weaknesses.
- If you are in a one-salary household, the stay-at-home spouse or partner needs money in their own accounts too. Deposit the one paycheck into the joint account and separate what's left - either evenly or an amount you can both agree on. And PLEASE don't call it an "allowance" - that's pretty insulting to the stay-at-home parent who often times has a much tougher day than someone at the office.
- Never involve outsiders in your personal finances unless it's someone that can actually help, such as your credit union, bank or a financial advisor. Your money issues are between the two of you - not your mama or best friend!

The "Independent Couple" Option: Separate Checking & Savings

This one is also a simple set up. Keep things the way they were when you were single.

Advantages

- No justifying the \$30 manicure or the new \$60 Xbox game to anyone.
- For merged households that may have children from a previous relationship or where one or both of you were married before. It makes for easier tracking of things like alimony and child support.
- Lessens the likelihood of fights emerging when sticker shock occurs at a purchase or at how much or how little one of you has.

Disadvantages

- Less communicating with each other. Since you are each responsible for balancing your own checkbook, contributing to your retirement and putting money into your savings, it leaves little reason for you to discuss your bigger money goals.
- More paperwork - because there are countless shared expenses to divvy up. With double the accounts, that means double the paperwork.
- Dividing the expenses can get dicey - from the utility bills to who's buying dinner.

The "We Need Some Space" Option: Joint & Separate Accounts

This option takes a little more work to get set up, but is the most popular way of merging money together. The way to set this up is to have an account that all of your household expenses come out of and separate personal accounts for each of you. Your paychecks should be deposited directly into the joint account and then move money into the separate accounts as needed.

But wait - how do you decide how much goes where? Figure out the amount required for all household expenses - any payment or purchase you make to keep your home running such as mortgage, rent, utility bills, phone, insurance, taxes, groceries, entertainment, etc. All of that money should be left in your joint household account and the rest should be divided up into your separate accounts for spending money.

If you're not sure how much each of you should contribute, consider dividing the expenses based on a percentage of your incomes. That way, you will each contribute a similar portion of your take home pay to your expenses.

Advantages

- No need to report every little purchase you make such as the extra cup of coffee on a bad day or the extra case of beer for the guys when you are hanging out with them in the garage.
- There will be more communication between the two of you, and you may learn a trick or two about saving from your partner.

Disadvantages

- More up-front work is needed. You need to decide what expenses are separate and what are "ours," and which account that money is supposed to come out of. This includes paying for debt incurred before you were a couple, such as auto loans, credit cards or student loans. The two of you will also need to talk about expenses such as childcare, travel expenses, utilities, gifts for each side of the family, lunches and dinners.
- If you decide that dinners or lunches are not a joint expense, you may have increased clashes on who's picking up the dinner tab.

Whatever option you choose, it can be modified to fit your needs. And if it doesn't work? Just try another one! Whatever works best for your relationship is what you should continue to work on.

Communication is the key in keeping the love when you have joint accounts. If you have never had a conversation with a partner about money, debt, loans or budgeting, be sure to be sensitive, be patient and be prepared to be surprised!