

Marrying Your Accounts

For richer or else...

Forget the invitations, forget the cake, forget even the ring. Before you take another step toward the wedding aisle, you need to talk about your financial situations, for better or worse.

Talking about your finances before you get married will prepare you for both “the richer and the poorer years of your lives”. It may also save you from a lot of stress and many arguments. In fact, money is the number two cause of divorce in Canada.

One of the first things you should do as a couple is to track your expenses for three months. Write down every purchase, no matter how small, as well as every bill you pay. Don't forget to include investment payments, savings and an emergency fund as expenses

If you are both currently living at home, remember to factor in your future utilities, mortgage and food costs, etc.

One of the reasons money causes arguments between couples is because of different spending habits. Completing this exercise will give you an idea of how you and your partner spend money.

You may be surprised to learn exactly how much your partner spends on tools, clothes, fast food or medication. You may also discover areas where you can cut back on spending.

Once complete, multiply your total expenses over three months by four to get an idea of what your expenses will be over a year.

Will your income(s) cover your expenses? If you haven't already, find out what your partner's income, assets, debt and credit situation is.

You may both have a home and in this case you have to decide which one you are going to live in and what to do with the other. You could also sell both homes and put equal amounts of money into a new home.

If one person is going to be putting more into the home, you should create a marriage contract to protect your assets.

Another consideration is RRSPs. RRSPs are not joint, but owned by one person with a named beneficiary. If you both have started saving for retirement you can name each other or a young child as a beneficiary. A child has until age 18 to take out the RRSP and pay the tax.

At this stage many couples find it helpful to talk to a financial planner or someone at their financial institution to create a budget and financial plan to meet their short term and long-term goals.

Maybe you want to save for a down payment on a house, a Harley Davidson or a cottage. Maybe you plan on having a child in the next two years. Make sure you are aware of your partner's goals and then create a budget to meet them.

Now that you know more about each other's financial situations, you need to answer a few questions like who is going to pay the bills, when will you pay your bills, will you have joint or separate accounts or both?

Couples who are both actively using an account should have separate accounts and the "spending money" should be divided between the two. This way if one person wants to spend all their money in a week, they can and if the other person wants to save it all, they can.

You can set up a joint account for paying bills and planned expenses. To make payments easier you may decide to pay rent on one pay day and make car payments on the next pay day, for example.

It is recommended you don't have a lot of automatic payments coming out of your account if you keep just enough money in your account to cover your bills. Each time you do not have enough money to pay a bill, it costs you about \$50 in NSF charges. To ensure you can make all your payments record your automatic withdrawals at the beginning of the month and compare this amount with your account balance.

To save money you should also pay the balance on your credit card bill monthly. In the event you are carrying credit card balances, you should consider the rate you are paying and the high cost of your "miscellaneous" spending.

It is important to keep short term debt short otherwise you could pay the price of an item twice due to the high cost of short term interest.

Once you are married you still have to review your budget regularly and be open about financial matters. Remember to stick to your budget and keep track of all your purchases. There is less chance for an emotional argument on who spent what if it is on paper.

You should also meet with someone to review your budget and financial plan every 12 to 18 months.

Now that you have organized your finances, you can go ahead with the ring, the cake, the invitations...of course, you have budgeted for these items right?