



Love and Money



Financial Topic of Discussion Before Marriage

Saver vs. Spender - Money attitudes are deeply imbedded based on a person's background. Some people tend to be more "spenders" who value spontaneity and immediate gratification. Listening to your partner's background will help you understand your partner's attitude toward money. If both people are spenders, a budget needs to be established immediately!

Current Debts - Each person should come forward with any debts before the marriage. Telling your spouse of previous debts after marriage can lead to a loss of trust. Discuss the reason for the debts. If debt was caused by extravagant spending, discuss methods of preventing future debt. Discuss a plan for repaying the debt. Do not be ashamed of student debt!

Credit Scores - Your credit scores will be important when trying to obtain a mortgage or other loans. Both of you should obtain your annual, free credit reports at www.annualcreditreport.com. The credit report contains a credit history of previous loans. If there are errors in the credit report, you should have them corrected. Once the credit report is correct, you may want to order credit scores which use the credit report to determine a numerical score. The most commonly used credit score is the FICO score which was developed by the Fair Isaac Corporation. FICO scores may be purchased at www.myfico.com. The score results should be discussed, especially if the scores are low. No FICO score simply means the person probably has never had any debt.

Financial Goals - Each spouse should write down individual dreams, both short-term and long-term. Examples may be to purchase your dream home, save a million dollars or take a special anniversary trip (to an exotic island of your choosing.) Both spouses' dreams should be merged and a plan established to make goals both will work to achieve. A specific saving and investing plan can help achieve your goals. Financial goals should be reviewed at least annually and modified as needed.

Financial Responsibilities - Couples should agree on how they will track spending and who will pay the bills. Try to use each other's strengths in dividing responsibilities. Many bills can be paid by automatic payment. Couples also need to determine how savings and investing will work. Many couples have success with their investing by having money for investments sent automatically before the funds can be spent on other items. Set time for a monthly scheduled meeting to discuss spending, savings, and investments. **BOTH PARTNERS NEED TO PARTICIPATE IN FINANCIAL DECISIONS!**

Insurance Needs - The need for life insurance likely will increase after marriage. You probably want to make your spouse the beneficiary of any existing life insurance policies. Life insurance requirements rise significantly once you have children. Term life insurance is an inexpensive option for many couples. Health insurance is absolutely essential to cover medical needs. Make sure you have a policy to cover future medical problems you may have. You also may want to look into disability insurance to pay for bills should either spouse be incapacitated for a significant amount of time.

Prenuptial Agreement - A prenuptial agreement is a contract, between two people planning to be married, that specifies how property will be distributed should the couple divorce. If a couple decides on a prenuptial agreement, it is recommended that each partner hires his/her own attorney. As part of the prenuptial agreement, each partner will disclose the full amount of income, assets, and debts. These agreements are especially useful if either partner owns significantly more assets than the other partner, has children from a prior marriage, owns a business or is in a partnership, is likely to earn a hefty salary in the future, or is paying for partner's advanced degree.

Spending Plan (Budget)- A couple needs to develop a written spending plan that works for both. Track expenses for a month and establish a plan together. Review the plan at least once a month. Establish an emergency fund that will cover 3-6 months of expenses. Each person needs a "no questions asked" portion of the budget where they can spend money on anything (as long as it is not illegal or immoral). This may be a small amount in some budgets, but it is important to have some money set aside for this category.

Investments - The earlier you can start investing your money, the sooner you can take advantage of the miracle of compound interest. Try to "pay yourself first" by automatic deposits. This money will be automatically invested before you have a chance to spend it on other items. Set a goal of investing 10%-25% of income. If both partners are working, try living on one income and investing the other. Consider investing in Roth IRAs which allow investments to grow tax-free and withdrawn tax-free provided certain provisions are met. If you and your spouse invest \$8000 at the beginning of every year and your investments average a 9% return, you will be millionaires in just over 28 years.

Legal Documents - Make sure you both have an updated will along with a financial power of attorney, power of attorney for health care, living will, and any other legal documents you may require.

Hiring a Professional - Consider hiring a fee-only CFP® who can assist you with decisions on housing; the amount needed to invest in order to achieve financial goals; debt repayment plans; mutual fund, index funds and other investment options; insurance needs; and methods of completing wills and other legal documents.

Final Recommendations



- Work as a team to accomplish financial goals.
- Share financial responsibilities based on strengths.
- Establish a written spending plan that works for both partners.
- Make spending and investing decisions together as a team.
- Schedule regular meetings to review finances.
- Have fun watching assets grow!

***Financial Aid** - After you are married, you can file the free application for federal student aid (FAFSA) as an independent student. As an independent student, you will report your and your spouse's income and assets. If you have already filed the FAFSA as a dependent student, your marital status can not be changed during the same academic year.

Student Money Management Center

Estill Building Suite 228 • Huntsville, TX 77341-2538

936-294-2600 • www.shsu.edu/~smmc



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