

MERGING MONEY WITH A SPOUSE/ PARTNER

After you both say, “I do,”
should your financial lives
connect, too?



YOU FACE MANY ISSUES WHEN YOU GET MARRIED — HOW MANY CHILDREN, WHERE TO LIVE, WHERE TO VACATION — WITH FINANCES OFTEN COMMANDING SECONDARY IMPORTANCE (I.E., “YES, WE’LL LIVE IN CITY X, BUT ONLY BECAUSE THE COST OF LIVING IS AFFORDABLE.”).

But as you return from your blissful honeymoon, crank out your thank you notes, and begin a life together, at some point the question will arise: To what extent should you merge your financial lives. Your answer will depend on a number of factors, including your spending styles and financial goals.

For some, the question has an easy answer: Yes. Checking accounts and saving accounts will all carry dual signatures, an equal partnership in saving, spending, and earning. The couples will create joint accounts early, a “set-it-and-forget-it” approach to money matters.

For others, the answer is more tentative. Perhaps they’re marrying (or remarrying) later in life, and don’t want to mingle finances. They’ll split expenses equally, a less complicated approach on paper but one that carries with it other considerations. For instance, what about an expensive gift for one of the spouse’s friends? Do you contribute equally? And paying bills, too — do you really want to be writing two checks each month for your expenses?

Below are the advantages and disadvantages of either option:

- **Accessibility:** Joining finances makes most things easier. Both spouses can access the money at any time, without gaining the other’s consent. For instance, if you maintain separate accounts and you need to borrow money from your spouse, you won’t be able to access the funds if your spouse is unavailable (i.e., out of town).

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- **Discounts:** By combining funds, you may be entitled to better service and pricing with larger account balances. For instance, if you need to borrow money against a joint investment account, you may be able to get a lower interest rate. Additionally, a larger balance on a savings account may be eligible for higher interest rates from a bank.
- **Tax Benefits:** By combining finances and filing a joint tax return, you may be eligible for a tax savings, especially when one spouse earns more than the other. Also, the time spent filing one joint return will be shorter than filing two, decreasing the amount you'll owe your accountant. On the other hand, if you have very high medical expenses of itemized deductions, it may be beneficial to file separately. Check with a tax professional to be sure.

If you decide to join your finances, each spouse may still wish to retain separate checking and/or savings accounts — just to retain a bit of financial “space” from their partner.

If you decide to keep things separate, you want to avoid secrets, which can breed trust issues. This can cause friction in the relationship, especially if the secret account is revealed to mask bad spending habits or large debts.

For help deciding on the best strategy for you and your spouse (or spouse-to-be), consult a financial professional.

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