

Saying “I Do” to Merging Your Money



For some people, getting married means merging their lives, and their money. For others, co-habitation doesn't necessarily involve co-mingling their funds. Does one approach work better than another?

Not necessarily.

The key to building financial security is the same for building a strong relationship: You need honest, open communication about your needs, wants and goals. To help frame the discussion, consider the following three options for managing multiple incomes after marriage.

1) **What's mine is yours and yours is mine.**

Combining finances makes a lot of sense for many couples. For one thing, maintaining a joint account may just be easier. By combining your money into one or two joint accounts, you can simplify your investment management and recordkeeping, reduce the number of potential errors, and potentially save on account fees. Fewer accounts also means higher balances and, as a result, you may have access to better rates with banks and investment firms. However, it's sometimes difficult to keep track of how much money is in a joint account when two individuals have access to it.

2) **What's mine is mine.** Today, people are getting married (or remarried) later in life, often after having established themselves in a career. One reason to keep separate bank accounts and credit cards is to protect one spouse from the financial liabilities of the other. Another is to build your own credit history. For the same reason, financial experts suggest that if you inherit a large amount of money, you'll want to keep it out of the communal pot. That way you can

manage it the way you want, according to your personal objectives. Finally, maintaining your own bank account provides a little bit of financial independence, enabling you to have some money to spend as you like.

Keeping finances separate can be a good option when both incomes are roughly the same; in other words, when neither person needs to contribute more than the other to keep the family running. If your income is greater than your spouse's, or vice versa, you can divvy up your expenses and contribute an equitable amount. For example, if you earn 65 percent of the family's income, your contribution to family expenses could account for 65 percent of the total.

3) **What's yours is yours and partly mine.** Merging your finances in marriage doesn't have to be an all-or-nothing proposition. There are a few ways couples can combine part of their finances. For example, you and your spouse might want to keep separate bank accounts for the bulk of your income and spending, but establish a new joint account for household expenses that you each contribute to. Deciding how to spend household money will keep you talking about how you want to handle your finances.

Another approach is to set up a joint saving and investing account, keeping a small banking account separate for your “play” money. This arrangement can offer a best-of-both worlds solution to the question of whether or not to merge your money in marriage. You can establish a pot of funds to use for shared goals, while retaining a measure of financial independence and control. Having separate accounts in addition to

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a joint one also provides a measure of protection in the event of an emergency. Should something unforeseen happen to your partner, for example, access to any accounts with his or her name on it may be restricted in probate.

Keep in mind, each relationship has its own dynamics, and what works for one couple may not work for another. First, set aside time to discuss your goals and review where you are financially, then develop an agreeable plan. Discuss what you plan to spend, save, invest, and how you plan to reach your financial goals. Having financial direction and purpose may strengthen your marriage and keep you working as a team.

For more information on developing a financial plan, and how to manage your finances in marriage, contact your BMO Harris Financial Advisor. Your advisor can help you create a thorough financial plan that reflects the hopes and dreams you have for building financial security as a couple.

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