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What to Know Before Merging Finances with a Loved One

Finances & Debt

4-minute read



For many couples these days, it takes both people working just to make ends meet. In fact, money problems top the list of what married couples fight about, with 70% of couples arguing about finances ahead of household chores, snoring and sex. But what's the best way to merge — and manage — your money in a relationship? Here are some tips to help you determine which approach may work for you.

How to Merge Finances with a Loved One

Appoint a financial manager in the relationship.

One approach is to designate one person to control the books who is willing to track spending habits and crunch the numbers. Keep in mind the person who is accountable for

the finances needs to openly communicate with the other party constantly and vice versa.

Additionally, there needs to be clearly defined lines on what is available for discretionary spending and what is for bills. If there are debit cards linked to these accounts, it can be ever more of a concern if one is spending away and not knowing whether there are funds allocated for bills or for extra expenses. Plus, the person who isn't monitoring the accounts may also feel that they are being watched or having every dime they spend scrutinized.

Keep your bank accounts separate.

When dealing with personal finances, it's not unusual to have separate accounts. Actually, in many relationships, it's considered the norm these days. And most people still like having an amount of financial independence.

In many relationships, one or both partners may have been married before, and have encountered past financial miscues or mistrust. So for them, keeping the accounts separate is just what you do. For a couple with separate accounts, it requires a great deal of trust and good financial judgment, and again, open communication to ensure that necessary bills and expenses are being paid.

Work and save with your partner.

On the other hand, many people still believe that a joint bank account is what works best. Some feel that if they don't have joint accounts, they don't have trust in their marriage. When combining personal finances with a loved one, keep in mind that it gives them access to everything you own. If one party is a saver and the other party tends to be a spender, this can cause problems.

There is no law that prevents one person from taking all the cash out of an account and go on a gambling or shopping spree. This is something to take into consideration, as each party is equally responsible and co-owner of the assets. Ideally, marital property should be considered 50/50 ownership. But should the marriage not end well, and depending upon the circumstances, one party could be sitting with the lion's share and the other one with nothing.

Establish a joint account for paying bills.

Some couples prefer to use the personal accounting method known as the "three pot" or "common pot" system. This is simply where the couple each maintains their individual

checking accounts, and they also maintain one joint account for paying bills. The only checks written from that joint fund are for that purpose. This allows both people to carry their weight financially, and they can also feel independent with their own accounts and own money for personal spending.

Use a online tools to keep finances under control.

We live in a technologically-advanced world, so personal finance apps are widely available (and in many cases, free!) to help to keep things straight. Some finance apps will update both parties so that they can know how much cash is available at all times, and see what bills are coming due and what is past due. It also helps put things into perspective and keeps everyone in the know.

While these apps cannot provide personal finance advice, what they can do is organize everything, as disorganization is one of the biggest pitfalls of personal finances and budgeting. Forgetting to write down an outstanding check or debit charge can drain an account with overdraft fees or other penalties. Whether you have an account that's overflowing with cash or one that limps paycheck to paycheck, having an accounting system is imperative.

Own up to your spending habits.

Many people feel that talking about their finances is taboo. But the sooner you understand — and discuss — your partner's spending habits, the better. For example, some people have the first dime they ever made, while others can't seem to stretch their paycheck from one pay period to another. If you and your spouse are opposites when it comes to budgeting, then you may want to get a financial adviser to weigh in to help work with each other's spending styles and make adjustments and considerations.

See if a financial planner can help you.

Putting finances together and managing them effectively is a big step. It means you trust this person and they trust you. However, you must go into it with a realistic, yet flexible attitude. For example, if one party wants to save and the other enjoys spending frivolously, personal financial planning can help both of you to understand how much you need to save for things like a home or retirement while setting aside enough money for day-to-day and entertainment expenses.

Try to look past the moment you're in and consider the future and all its requirements. A financial advisor can help you establish a budget by looking at the money coming in and what's going out and give you the figures. By setting perimeters early on, it will help cut down on the fighting about finances later. There are also numerous finance websites that can also educate on the legalities of sharing your finances and household budget with another party.

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