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WHEN LOVE, MARRIAGE AND MONEY COME TOGETHER

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When Love, Marriage & Money Come Together

First comes love, and then comes marriage, but unfortunately, many newly married couples start their new lives together strapped with debt. Some bring their own personal debts with them to the marriage; others start racking up credit card bills as they plan their weddings and honeymoons together.

Why? Because they assume that they'll pool all their financial commitments, debt included. After all, one of the purposes of marriage is the idea that what is mine, is now ours.

That's not always such a good idea when it comes to debt. Intertwining your finances is seen as a pledge of commitment, but financial decisions need to be made with your head, not with your heart. Paying for debts incurred by others, usually loved-ones, is one of the most common reasons sighted by individuals seeking credit counseling and debt management assistance.

One couple took the plunge – right into $56,000 worth of debt. The husband had a rocky credit history, yet was determined to pursue his dream of starting his own company. Trying to be supportive, his new wife let him charge to the hilt on credit cards held in her name only. The husband's financial history proved prophetic. His business failed, and unfortunately their marriage did as well. The wife was stuck with the fallout from his shattered hopes – mountains of expensive debt, all in her name.

It's tempting to put your money where your heart is, but the consequences can be devastating to both your relationship with your loved-one, and your own good credit standing. The ties that bind should be those of mutual love and respect, not mutual debt.

Overwhelming debt can be devastating, both financially and personally. However, there is help available. Credit counseling services can help consumers budget, and work with their creditors to consolidate their bills and arrange a more affordable payment plan, often with lower interest.

To bolster your determination, simply look at your existing monthly financial obligations. If you can't add in another car payment, or you've worked hard to keep your credit card expenses to the minimum, simply explain that it's not smart for you to take on the risk of more debt – even if he insists that it's really his, not yours. In the event of a split, even a legal settlement will not change the fact that your good credit rating is tied forever to any debt you signed or co-signed for.

As new families come together and venture out in sharing their lives together, each person needs to consider their values. Money management plays an essential role in your lifestyle and can often determine if you can accomplish your goals. Take some time to think about the following:

How important is money in your life?
Is it consuming all your thoughts?
Does someone, other than yourself, make decisions regarding your finances?
Are you concerned about your debts?

What effect does money have on your relationships with family members and friends?

In a Forbes magazine survey of the richest people, 37 percent reported happiness levels less than average, according an ABC-TV special report: "The Mystery of Happiness." Therefore we could conclude that money does not equal happiness, love, power, freedom, self worth, or security. Money equals dollars and cents.

Researchers have discovered it is more important to your emotional well being to be independent, have a purpose in life, and a good sense of humor than the amount of money you have. So what can you do to make certain that you are counted among both the financially well off and the happy? A great deal of research points out that married people are less likely to die from strokes, accidents, flu, tuberculosis and various forms of cancer.

Look at whether your perception of money is balanced. If not, make a list of ways you might change. As you start your new married life or are becoming part of a blended family, this could be the perfect time to revise a number of your perceptions about money.

Families and Banking in the United States

66% have only one joint checking account
22% of couples have one joint checking account and 2 separate checking accounts
8% have 2 separate checking accounts
4% have no checking accounts

The above information is from a 1997 Public Opinion Online Survey conducted by Roper Center at University of CT.

Joint Checking Accounts

The process of moving money from an individual account to a joint checking account is pretty standard. If both individuals hold accounts at the same bank or credit union, the first step is establishing a new account, or closing an account and merging the money into another existing account.

For practical purposes, a joint checking account is an account that lists two or more people as the holders of the account. One spouse or the couple is usually listed as the primary holder of the account. By listing a joint checking account as, say, John or Jane Doe as the primary holder, in the case of divorce or death, the account automatically will go to the surviving spouse.

Couples should consider setting up all their bank and brokerage accounts in both names, even if they privately agree to restrict use to one or the other. If an account is held in the husband's name only, for example, after his death it must go through probate before the wife can have access to the funds. That costs time and money.

It is advisable for the couple to have one joint checking account and two personal checking accounts. With one joint checking account, both paychecks can be deposited into it and all bills are paid from it. This way, both people know where they stand as a couple and it's often easier to be budget conscious. In addition, bookkeeping and account costs may be kept to a minimum because of the higher combined balance.

Once married, any joint credit accounts -- including those for auto loans, credit cards and mortgages -- will show up on both spouses' credit reports. One affects the other and there's no escape from that.

Get everything out in the open: what you make, what you owe, what you own, any savings and investments you may have. It's also a good idea to swap credit reports. In most cases, you should not be liable for your spouse's credit card debt -- unless you signed onto a joint account.

Caution: If you live in a community property state, both spouses may be held liable for debts incurred during a marriage. So if you live in Arizona, California, Idaho, Louisiana, Nevada, New Mexico, Texas, Washington, Wisconsin, or the territory of Puerto Rico, be sure to check with an attorney.

In general, though, if you keep credit cards and assets separate, the only way a credit card company might claim your assets is if money in your account represents money deposited to defraud a creditor. If one person has trouble with the IRS, consider filing separate income tax returns. You voluntarily become jointly and severely liable by signing a joint return.

Also, if one spouse has bad credit, some mortgage lenders prefer that the creditworthy spouse apply for the loan in their name only. This can be a "catch 22" if the mortgage you want is so large that it requires both your incomes to qualify.

Blended Families
When You Join Two Families

Problems often result when spouses have different financial expectations going into the marriage. Finances can become especially troublesome in marriages where one or both partners already have financial obligations extending from a prior relationship. It becomes even more complicated when new spouses are dealing with divorce, child support, alimony payments and child visitations. For example, a person who's paying child support may expect a new partner to contribute more for household expenses, and that may come as an unpleasant surprise to the new partner.

Divorce arrangements can vary greatly. Each partner's circumstances should be fully discussed early in the relationship. Share with each other not only what the arrangements are with former spouses, but also what they feel the obligations are beyond the legal responsibilities.

New spouses are not legally obligated to support stepchildren, but their lives will be affected by their spouse's ongoing financial commitments to the former family.

One partner may become bitter because their new spouse is paying a large sum of money to their former family, while the new household is left with only a fraction of that amount.

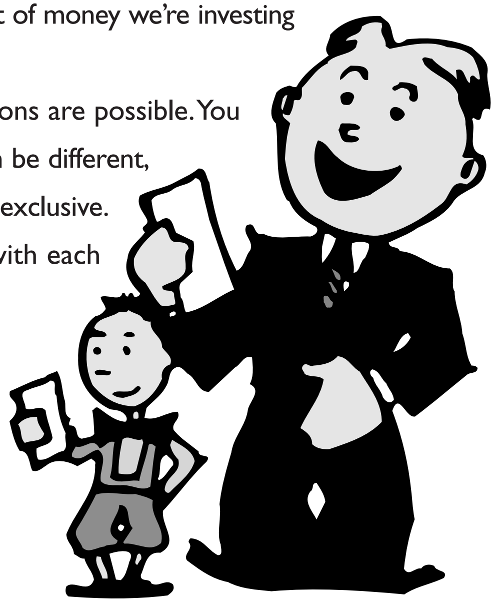
First, discuss money matters and obligations openly. You'll want to know how much support is being paid or received; how long it will last; and what future commitments have been made.

Next, write down a list of financial goals for the new family, and share your ideas on how you will work to achieve them. Parents should talk to a professional regarding updating their wills, and checking the beneficiaries on their life insurance policies, retirement plans and IRAs.

Communicating better with your partner can solve most money conflicts. Sharing power and decision-making is important, even if one person thinks they're better at investing or managing money.

Financial communication tips:

- Discuss your concerns, do not confront or criticize your spouse. Remember, you are a team.
- Be specific about what's troubling you. For example: "I'm feeling concerned about the amount of money we're investing in risky stocks."
- Assume that win-win situations are possible. You may find that your needs can be different, but not necessarily mutually exclusive.
- Finally, learn to empathize with each other. This is the key to



If You Are Concerned About Debts, Follow These 10 Steps to Financial Freedom

1. Figure out how much you owe. Collect all your credit card statements and make a list that includes the interest rates, total amounts you owe and minimum monthly payments. List the cards by the interest rates they charge with the highest rate first and so on.

2. Keep the one card with the lowest interest rate and cut up the others and close the new accounts. Keep your oldest account active so you don't hurt your credit score.

3. If you don't have a card with an interest rate of less than 14%, get one.

4. Resolve that you will use your cards only for dire emergencies over the next six months. For purchases, use cash or a debit card only.

5. Credit cards often require minimum payments of about 2.5% of the total owed. If you just make minimum payments, you will be paying forever. For example, if you owe $1,000 on a card with a 17% interest rate, it might take 12 years and cost over $900 in interest by the time you pay it off.

6. Calculate how much you can pay over the minimum. Really stretch your budget. For instance, let's suppose the minimum payments on your credit cards total $350 a month. What could you pay if you really stretched? How about $750? No pain, no gain.

7. Apply all of your additional funds towards the card with the highest interest rate. If two cards have the same rate, put the additional

money on the card with the largest balance. Pay the minimum on your lowest interest rate credit cards until you've paid off the balance on the more expensive cards.

8. Consolidate your debt. Many credit card issuers offer introductory rates as low as 5.9% or 6.9% for six months. If you're really serious about getting out of debt in a hurry, transfer your largest, high-rate balances to a card with an extremely low rate and pay them down aggressively.

9. If you are unable to transfer all balances to one low interest rate card due to your debt to income ratio or because you are juggling and "Robbing Peter to Pay Paul" then consider contacting a credit counselor at 1-800-SAVE-ME-2 (800-728-3632). Debt management programs usually can organize debts into one low monthly payment, reduce or eliminate interest charges, and help restore credit ratings.

10. Consider using your savings to get out of debt. Sure it sounds harsh. But if you put together a balance sheet, your debt would cancel out your savings anyway. If it's in the bank, you're earning just over 3.2% to carry debt at 18% or more.

About the author and Consolidated Credit Counseling Services, Inc.
Consolidated Credit Counseling Services, Inc. is a consumer-oriented, nonprofit, tax exempt, public education organization. We are an industry leader in providing credit counseling and debt management services throughout the United States. Our mission is to help families end financial crisis and solve money management problems through education and professional counseling.

Gerri Detweiler is Consolidated's educational director and author of this publication. She has written numerous books including The Ultimate Credit Handbook, which was featured in Money magazine as one of the five best new personal finance books of the year when it was released. Ms. Detweiler has been quoted in thousands of publications including The New York Times and The Wall Street Journal. She co-hosted an award-winning syndicated financial radio program, and has been a guest on The Today Show, Dateline NBC, the CBS Evening News, and CNN. She has testified before Congress and lobbied on behalf of consumers protection measures. She is the former executive director of Bankcard Holders of America, as well as a policy director for the National Council of Individual Investors. She has also served on the Board of Directors for the National Coalition for Consumer Education as well as Experian's Consumer Advisory Council.

Call
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Or visit
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For A Free Consultation

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