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Planning for Marriage: Financial Tips for Women

Planning for marriage should involve more than just picking out invitations and deciding whether you should serve chicken or fish at the reception. More importantly, you'll want to take a look at how marriage will impact your financial situation. And while there are a number of issues you'll need to think about, careful planning can increase the likelihood that you'll have financial success as you enter this new chapter in your life.

Consider a prenuptial agreement

If either you or your future spouse has or may inherit substantial assets, or if either of you has children from previous marriages, you may want to consider a prenuptial agreement. A prenuptial agreement is a binding contract between future spouses that defines the rights, duties, and obligations of the parties during marriage and in the event of legal separation, annulment, divorce, or death. A prenuptial agreement typically addresses the following areas:

- Assets and liabilities--What assets will each of you bring into the marriage? What liabilities do each of you have (e.g., credit card/mortgage debt)?
- Contributions of each partner--Will there be particular consideration given for special contributions that either of you make (e.g., one spouse limiting his or her career)?
- Divorce--If you and your future spouse divorce, will there be alimony or a lump-sum payment? How will you divide assets purchased from joint funds?
- Estate planning--Who gets what at the death of either spouse?

Discuss your financial history

Marriage is the union of two separate individuals ... and their finances. While talking about money can be a stressful topic for many couples, you'll want to sit down and discuss your financial history and your future spouse's financial history before you merge your money.

Start out by taking stock of each of your respective financial situations. You should each make a list of your individual assets (e.g., investments, real estate) and any liabilities (e.g., student loans, credit card debt) you may have. This is also the time to address items such as how much each of you earns and if either of you has additional sources of income (e.g., interest, dividends).

Agree on a system for budgeting/maintaining bank accounts

Right now, you are probably accustomed to managing your finances in a way that is comfortable for you and you alone. Once you are married, you and your spouse will have to agree on a system for budgeting your money and paying your bills together as a couple.

Either of you can agree to be in charge of managing the budget, or you can take turns keeping records and paying the bills. If both of you are going to be involved in the budgeting process, make sure that you develop a record-keeping system that both of you understand and agree upon. In addition, you'll want to keep your records in a joint filing system so that both of you can easily locate important documents.

Once you agree on a budgeting system, you'll be able to establish a budget. Begin by listing all of your income and expenses over a certain time period (for example, monthly). Sources of income can include things such as salaries and wages, interest, and dividends. Expenses can be divided into two categories: fixed (e.g., housing, utilities, food) and discretionary (e.g., entertainment, vacations). Be sure to include occasional expenses (e.g., car maintenance) as well. To help you and your future spouse stay on track with your budget:

- Try to make budgeting part of your daily routine
- Build occasional rewards into your budget (e.g., going to the movies)
- Examine your budget regularly and adjust/make changes as needed

If you and your future spouse obtain joint credit, both of you will become responsible for 100% of the debt.

This might also be a good time to decide whether you and your future spouse will combine your bank accounts or keep them separate. While maintaining a joint account does have its advantages (e.g., easier record keeping and lower maintenance fees), it is sometimes more difficult to keep track of the flow of money when two individuals have access to a single account.

If you do decide to combine your accounts, each spouse should be responsible for updating the checkbook ledger when he/she writes a check or withdraws funds. If you decide to keep separate accounts, consider opening a joint checking account to pay for household expenses.

Map out your financial future together

An important part of financial planning as a couple is to map out your financial future together. Where do you see yourself next year? What about five years from now? Do you want to buy a home together? If you decide to start a family, would one of you stay at home while the other focuses more on his or her career?

Together you should make a list of short-term financial goals (e.g., paying off wedding debt, saving for graduate school) and long-term financial goals (e.g., retirement). Once you have decided on your financial goals, you can prioritize them by determining which ones are most important to each of you. After you've identified which goals are a priority, you can set your sights on working to achieve them together.

Resolve any outstanding credit/debt issues

Since having good credit is an important part of any sound financial plan, you'll want to identify any potential credit/debt problems either you or your future spouse may have and try to resolve them now rather than later. You should each order copies of your credit reports and review them together. You are entitled to a free copy of your credit report from each of the three major credit reporting agencies once every 12 months (go to annualcreditreport.com for more information).

For the most part, you are not responsible for your future spouse's past credit problems, but they can prevent you from getting credit together as a couple after you are married. Even if you've always had spotless credit, you may be turned down for credit cards or loans that you apply for together if your future spouse has a bad track record with creditors. As a result, if you find that either one of you does have credit issues, you might want to consider keeping your credit separate until you or your future spouse's credit record improves.

Consider integrating employee and retirement benefits

If you and your future spouse have separate health insurance coverage, you'll want to do a cost/benefit analysis of each plan to see if you should continue to keep your health coverage separate. If your future spouse's health plan has a higher deductible and/or co-payment or fewer benefits than those offered by your plan, he or she may want to join your health plan instead. You'll also want to compare the premium for one family plan against the cost of two single plans.

In addition, if both you and your future spouse participate in an employer-sponsored retirement plan, you should be aware of each plan's characteristics. Plans may differ as to matching contributions, investment options, and loan provisions. Review each plan together carefully and determine which plan provides the better benefits. If you can afford to, you should each participate to the maximum in your own plan.

Assess your insurance coverage needs

While you might not have felt the need for life and disability insurance when you were single, once you are married you may find that you and your future spouse are financially dependent on each other. If you don't have life or disability insurance, you will want to have policies in place in order to make sure that your future spouse's financial needs will be taken care of if you should die prematurely or become disabled. If you already have life and disability insurance, you should reevaluate the adequacy of your existing coverage and be sure to update any beneficiary designations as well.

You should also take a look at your auto insurance coverage. Check your policy limits and consider pooling your auto insurance policies with one company (your insurance company may give you a discount if you insure more than one car with them). As for renters/homeowners insurance, you'll want to make sure your personal property and possessions are adequately covered.