

Before Living Together, Couples Should Get on the Same Page Financially

Knowing where each partner stands in financial discussions will go a long way toward keeping the peace in the relationship, even when it comes to issues like long-term care insurance.



(Image credit: Getty Images)

While money discussions might not be as important when two people are only dating, once they decide to take the next step, financial discussions before living together – as married or unmarried partners – must begin to take center stage.

Yes, some issues are more important to partners than money. But the recent experience of one of my clients has once again reminded me why potential partners should talk about money before moving in with each other. While Susan has robust insurance coverage that will protect her and provide care in the event of a long-term care event, Mike has an aversion to insurance and planning for the unexpected.

Such differences of opinions and attitudes become more significant when the responsible partner must bear the burden of the irresponsibility or indifference of the other party. Who pays when the partner indifferent to long-term care ends up needing it? Such situations can be a huge strain on whatever love and affections started the relationship in the first place.

The situation of my client is often the experience of those who are in their second marriages or cohabiting with another partner after leaving their marriage. However, this situation is not unique to new partners, as married couples can also have conflicting attitudes toward financial planning.

What can financial advisers do to help potential partners or people who are already living together avoid, or resolve, these difficult situations?

For Couples Who Are About to Live Together

The best time for couples to talk about finances to develop a compatible approach to financial planning is before they start living together. Though it might seem that talks about money may disrupt the flow of love, it is always better to have these discussions beforehand to avoid unbearable situations later.

Here are some questions to lay on the table and discuss until both partners are satisfied with the answers:

- How do we pay for mortgage or rent?
- Are we sharing living expenses? If so, how?
- What insurance do we need? Should we have policies together or individually?
- How do we plan for retirement? Individually or jointly?
- How do we deal with emergencies? By accruing debt or by using an emergency fund?
- Who are our dependents, and how do we jointly take care of them?
- Should we have joint checking and savings accounts and investment accounts?

These are not meant to be exhaustive questions. But they serve to highlight the kinds of discussions that need to occur. Where there are significant unreconcilable differences that can cause heartbreaks in the future, it might be better to take some time to rethink the relationship before moving in together.

For Couples Already Living Together

For those already living together, the situation can be more challenging. Of course, the first step is for the responsible partner to have conversations with the other partner on why they need to be more intentional about their finances.

Instead of just saying, "We need to do this or that," the responsible partner can illuminate the consequences of indifference and the benefits of active planning. If the other party refuses to take action, the responsible partner can offer to initiate the process and/or enlist the help of an objective third party. A certified financial planner can help both partners make better decisions by providing guidelines and helping them negotiate compromises.

In the long-term care example mentioned earlier, if the other party remains adamant, the responsible partner must decide if they are willing to continue to bear the brunt of the long-term care of their partner, including emergencies that haven't been prepared for. If they are unwilling, then it might be better for both parties to rethink the relationship at this point.

All in all, the best antidote to such endings is to have a stable and strong beginning in the first place. Financial advisers should mandate their clients to have heart-to-heart money conversations with their partners before moving in to ensure they are on the same page, or can be on the same page with some compromises here and there.

Finances might be the least pleasing thing to talk about when people are having butterflies in their stomach, but failure to discuss money issues might make what is sweet in the mouth bitter in the stomach.

Living daily with someone else is different from having dinners every Saturday; the former requires a lot of planning, of which financial planning is key.

This article was written by and presents the views of our contributing adviser, not the Kiplinger editorial staff. You can check adviser records with the SEC or with FINRA.

About the Author

Marguerita M. Cheng, CFP®

CEO, Blue Ocean Global Wealth

Marguerita M. Cheng is the Chief Executive Officer at Blue Ocean Global Wealth. She is a CFP® professional, a Chartered Retirement Planning CounselorSM, Retirement Income Certified Professional and a Certified Divorce Financial Analyst. She helps educate the public, policymakers and media about the benefits of competent, ethical financial planning.

Kiplinger

Kiplinger is part of Future plc, an international media group and leading digital publisher
© 2022 Future US LLC