



CHAPTER 2

Two Sides to Every Coin: Talking Finances with your Partner

Thank you for your interest in *Flourish Financially*. I chose chapter two because it is one of my all time favorites and because it lays out some great strategies for getting important financial conversations started.

Remember, it is never an easy conversation to start, but the value, strength and perspective you can gain from having these tough chats make it all worth while.

Thanks again!

All my Best,

Kathy Longo

Coming Together in Money Conversations

When I started Flourish, we knew we could live on Jay's salary from his business development position. It was great to have this financial backing. Jay estimated his new business commission for the next few years and we figured that even if Flourish didn't take off right away Jay would do well enough that we'd be financially set for a few years. So from my perspective of making financial security one of my top values, it seemed a good time to start my own business.

Unfortunately, Jay miscalculated his compensation in a big way. When we discovered the error, I thought, *Oh no! Now what do we do?* After apologizing and trying to explain the error in his calculations, Jay's response was, "It will all work out," which is always his response to money.

Jay encouraged me to pursue my dreams even though it felt risky financially and contradicted my belief in the value of financial security.

We launched Flourish, and then, about a year later, Jay lost his job. It created a bit of a wrench in our plan and required us to reexamine our financials as Flourish was still getting started and building toward long-term financial viability. Jay decided to look for a job that would allow him to get back into investment and retirement services, which is his passion. He ended up talking to some of our competitors, so we saw this as an opportunity to bring his expertise to the Flourish team. In the end, Jay's job situation worked out really well for us, but our conflicting views about money—I want security, Jay assumes everything will work out—created some tense moments.

Even if you are 100 percent in touch with your own values and money story, if you're sharing a life with someone you need to understand how that person views money as well. If you don't, compromising and achieving joint financial goals will be challenging. As we saw in chapter 1, money disagreements are a leading cause of divorce. Studies show that couples who fight about money once a week are 30 percent more likely to divorce than those who do not.¹⁵

HERE ARE SOME INFORMATIVE STATISTICS:¹⁶

- 31 percent of Americans who have combined their finances say they've lied to their spouse about money,
- 67 percent of these people said it caused arguments,
- 16 percent broke up as a result,
- 80 percent of couples spent secret money, and
- nearly 20 percent had a secret credit card.

15 Catherine Rampell, "Money Fights Predict Divorce Rates," *New York Times*, (December 7, 2009): <https://economix.blogs.nytimes.com/2009/12/07/money-fights-predict-divorce-rates/#comment-90747>.

16 Mark Bradshaw, "Love, Marriage and Financial Infidelity," <http://ktul.com/archive/love-marriage-and-financial-infidelity>.

Sonya Britt, researcher and assistant professor of family studies and human services and program director of financial planning at Kansas State University, conducted a study linking financial arguments to relationship satisfaction. She found that "arguments about money are by far the top predictor of divorce. It's not children, sex, in-laws, or anything else. It's money—for both men and women."¹⁷

Understanding your partner, how your partner views money, and how your partner values financial decisions may decrease the frequency and intensity of finance-based arguments.

Understand Your Partner's Money Story

Understanding your partner's financial story explains the motives behind your partner's approach to spending and saving. And when both partners understand where the other is coming from, it can help facilitate more compassion and compromise.

It's not uncommon for partners to have polar-opposite money stories. Take Jay and me as an example. We met at an investment class. Jay's background is in investment and retirement services for companies, while I have focused on individuals and families, so our professional backgrounds are a little different, but we are both in finance. Both Jay and I grew up in homes where frugality was valued. However, this value affected us differently.

Jay's mom grew up on a farm. The annual Christmas present from her parents was a butchered cow. Jay's family would take the cow home, fill up the freezer, and serve the cow for dinner for the rest

17 Money Habitudes, "Financial Statistics," <https://www.moneyhabitudes.com/financial-statistics/>; Jacob Merkley, "Marriage and Finances: The Connection and Tips from 19 Marriage Experts," *Power Over Life*, (February 24, 2017): <https://www.poweroverlife.com/marriage-finances-connection-tips/>.

of the year. Jay is the only person I know who had to explain to his friends during junior high lunch what a tongue sandwich was.

Jay's dad was an attorney, but when Jay was a child, his dad was just getting established in his practice so the family didn't have a lot of money. To help pay the bills, Jay's mom worked outside the home and did what she could to reduce the family's spending. Jay's family made yogurt instead of buying it, and drank powdered milk because it was cheaper than fresh milk. To this day, Jay still won't drink milk. Our money stories are so powerful they can even create food aversions!

When Jay was ten, his first brother was born. When he was thirteen, his youngest brother arrived. Around this time, Jay noticed that his parents started spending more money. They started to invest in the house and buy nicer cars. This occurred for two reasons: (1) the family was growing, so there were more mouths to feed, and (2) Jay's dad was progressing in his career.

When Jay was twelve he started working as a caddy, but instead of saving his money he spent it on candy and hamburgers until it disappeared. That came to an end when Jay's dad asked him if he was saving his cash for the winter. That's when Jay started recording his earnings and saving them in a tin bucket.

Jay learned how to earn money and how to save it. He also learned how to manage it because his mom helped him open a checking account when he was quite young. But despite Jay's fairly conservative fiscal upbringing, his approach to money is much different from mine. Where I'm financially conservative, Jay's attitude toward money is relaxed: "It will all work out." As you can imagine, this dichotomy sometimes causes friction in our relationship.

TO START THE MONEY STORY CONVERSATION WITH YOUR SPOUSE OR PARTNER, ASK THE FOLLOWING QUESTIONS:

- What is your earliest memory of money?
- How did your family handle money when you were growing up?
- Whom would you describe as a role model in managing money?
- What are the best financial decisions that you have made?
- What decision about money do you regret?
- What early money messages did you receive that have stuck with you (e.g., "time is money")?
- How would you describe financial freedom?

Understand Your Partner's Values

We recommend that couples individually go through the values exercise mentioned in chapter 1 and share their personal outcome with each other. As I mentioned in chapter 1, my values are:

- making a difference
- family
- financial independence
- philanthropy
- relationships
- open-mindedness wellness

Jay's values are:

- authenticity—consistently representing his true self
- integrity/honesty—what he says is what he means
- family
- love
- fitness
- collaboration
- purpose

Jay and I share one core value: family. That certainly doesn't mean that Jay doesn't care about open-mindedness or that I don't care about integrity. It simply means that our seven core values are slightly different.

UNDERSTAND YOUR PARTNER

The way Jay and I felt about starting Flourish—a major life transition—was heavily influenced by our individual money stories and the emotions these stories evoked. While Jay's we'll-make-it-work attitude was difficult for me to understand at times, it also allowed him to enthusiastically support my idea to start my own business. While my desire to be financially secure sometimes might keep me from taking risks, it also keeps me from taking risks that are too great.

While my huge focus on financial independence is one of my core values, Jay does not make money or financial independence part of his core values. Jay defers to me for all financial decisions. We both have access to Mint, an app and online platform that helps people easily track their spending (which I set up), but Jay doesn't look at it. This can make me feel resentful or financially lonely because, ultimately, it's up to me to make the finances work. However, when you understand your partner's values and money story, you can better understand your partner's attitude toward money. I understand that

Jay cares about our finances, but I also understand his approach to managing them is different from mine.

Understanding your partner's money story and values will help clarify how and why your partner makes financial decisions. This can help bring you both to a common ground, which is necessary when you start looking at your joint financial future.

For a list of values to review with your partner, go to the appendix.

Be Honest about the State of Your Current Finances

When Jay and I first started dating I was in a transition period. As I already mentioned, transition periods—divorces, marriages, career changes, and death—can have a huge impact on your finances, your values, and your money story. The transition I was going through was a job change, so I was very focused on work. Six months into the relationship, Jay and I were engaged and decided to move in together. This meant that both of us not only had to sell houses but also choose a new house to buy, so the conversations we had planned to have about our joint financial future were pushed off longer than we would have liked.

We talked about how much we could sell our houses for, and we also had the basic money talk: “These are my assets; what are your assets?” But we didn't have an in-depth financial conversation until later in our relationship. Ideally, you want to have basic financial conversations with your partner as part of the decision to get married. Specifically, you want to talk about assets and liabilities, income and expenses, and your general approach to financial management.

ASSETS AND LIABILITIES

You should know all of your individual and combined assets and liabilities and where they fall on the family balance sheet.

INCOME AND EXPENSES

Know how much you and your partner are making and saving and why you're choosing to save that amount. If you're not saving enough, see where you can start driving down expenses.

KNOW YOUR CREDIT SCORE

In addition to the money values and assets a person brings into a relationship, their credit score is an important aspect of their money history. I've seen couples that have significant assets, good income, and a healthy ability to save end up with poor credit scores because they don't keep up with monthly payments or because one person brought a lot of debt into the relationship. As a result, their credit scores take a hit, which is unfortunate because low credit scores can impact your ability to achieve your financial goals. Even if you are not managing the household finances, know your and your partner's credit score. These scores can unveil existing financial issues that may need to be cleared up before you move forward with your financial future. Many financial institutions or credit card providers offer this number for free.



CLIENT STORY

Facing Reality

I worked with one couple who experienced a nasty surprise when we pulled both of their credit reports. The woman had deferred all financial decisions to her husband so she was shocked when she read his credit report, which revealed a sizeable debt. The husband accrued the debt because he was more focused on living in the moment than he was on the future. However, because his debts would affect their future plans, the couple made a decision to clear his debt and start saving. He even felt relief by coming clean on this debt and having a plan to move forward.

There are a lot of important money conversations that need to take place before a couple gets married, and these same topics will continue to be important after the wedding. A big part of my role as a financial planner is to help my client couples walk through these critical financial conversations. In addition, I also have them sit down and go through some key financial documents including:

KEY FINANCIAL DOCUMENTS TO GATHER AND DISCUSS WITH YOUR SPOUSE

- life insurance policies
- disability policies
- auto, homeowners, and umbrella policies
- long-term care policies
- information on medical policies
- business owners—buy-sell agreements, key person insurance policies
- most recent federal and state tax returns including all schedules
- bank and investment statements including details of investment holdings for all personal and retirement accounts
- paystubs
- Social Security estimate of benefits
- employee benefit information including stock options or employee stock purchase plans
- statements for mortgages, lines of credit, or other debt
- current credit score
- cash flow and spending information
- wills, trusts, health care directives and powers of attorney

Jointly looking through these documents puts you on the same page regarding the state of your current saving, spending, protecting, and investing.

I can't tell you how many times a Flourish couple will go through

this exercise and one of the spouses will say, "I didn't know there was this X, Y, Z banking account." Oftentimes, the spouse with the "secret" account will insist on retaining that private account. Some people really need financial resources that are not linked to their partner because it gives them a greater sense of independence. The point is, even if an account remains private to one individual, both spouses should know about it.

Define Your Roles

Every couple has their own system for managing money. The key is to develop that system early so you know who manages the finances and how they're managed. In addition to talking to your spouse about your current financial status, have conversations about money management. For example, how will credit card debt be handled? Some spouses are okay with having some amount of debt, while others say absolutely not. How will you manage large purchases? Do you talk to each other about every purchase that is over \$200, \$500, or \$1,000? Do you put your money into one shared account, or do you each have your own account with a joint account for shared household expenses? Who pays the day-to-day bills? Who manages the investments? Talk to your spouse about these decisions and then agree to sit down quarterly and review your finances together.



CLIENT STORY

Boatloads of Money

I worked with one client, Sharon, who never looked at her finances, which were managed by her husband. Sharon would say, “Oh, he’s in charge of the finances. I’m not really interested.” Unfortunately, Sharon’s husband ended up spending their money recklessly, which put her in a financial bind. He bought boats and other large-ticket items, and when she asked about those purchases he reassured her that everything was fine. Eventually, payments were missed, and when they ultimately divorced Sharon learned that her husband had spent all of the proceeds from the business he had sold on unnecessary items.

Even after you have the conversations mentioned in this chapter, you will still have financial disagreements with your spouse because even couples with the most effective money management systems still argue over money. It seems we just can’t help but argue over finance.

You Spent What on What?

While you and your spouse may disagree about certain spending patterns, understanding how your partner views money, where you, as a couple, stand financially, and how your finances will be managed can minimize these disagreements.

TOP FIVE MONEY ARGUMENTS¹⁸



46%
Frivolous Purchases



33%
Household Budgeting



26%
Credit Card Debt



25%
Insufficient Emergency Savings



22%
Insufficient Retirement Funds

Sometimes a package or two will arrive on the porch that Jay doesn’t know about. Other times, we’ll forget to communicate or miscommunicate over expenses. Once, Jay had to get his car repaired, and while he was doing that he discovered he needed new tires. Because our money roles have me managing the money, when an unexpected \$1,200 bill came through I was annoyed. I said, “What is this bill?” He said, “The tires needed to be replaced.” He said it casually because, to Jay, it was something that needed to be done so he got it done without discussion. It wasn’t a huge argument, but it brought us to an important agreement that’s helped to prevent other money disagreements: we agreed that we’d talk about any unexpected expenses that exceeded \$500.

Financial advisors help couples find a middle ground by:

- facilitating tough financial conversations,
- creating a common language that the couple can use at home and in meetings,
- building a foundation for future money conversations,
- engaging both spouses in all conversations, and
- identifying goals and objectives for the individual and the couple.

¹⁸ Cybele Weisser, and Kerri Anne Renzulli, “Seven Ways to Stop Fighting about Money and Grow Richer, Together,” *Time: Money*, June 1, 2014, <http://time.com/money/2791658/couples-marriage-money-survey-female-breadwinners/>.

THE THERAPIST'S COUCH

Even though Jay and I have been married for fifteen years, when we talk about money, it's often like sitting on the therapist's couch. For example, when Jay joined Flourish and both of us were focused on the business, we had to have a hard conversation about one of us focusing more on our career and the other focusing more on the family.

We reprioritized how we would look at things. My role at Flourish is growing and thriving and needs a lot of attention, so we decided that Jay would take on more of the household responsibilities and be the main lead with the kids for now. Although we compromised, it was a hard decision for both of us. I was slightly resentful of the change. I have traditional values and like the idea of the mother taking the lead on the kids and the home. However, Jay and I view our marriage as a unit and knew this decision was the right one for our family. I would add that Jay has become quite the chef in our house.

No matter how open the lines of communication are with your partner, talking about money is often like sitting on a therapist's couch. It delves into your childhood, plays on your emotions, and requires facing difficult conversations head-on.

Agree on a Financial Future

Conversations about money aren't easy, but you need to have them in order to achieve your goals. Once you outline the good, the bad, and the ugly of your own finances, you can sit down with your partner and agree on a financial future. While finance is the premise for talking about a financial future, this conversation isn't just about dollars and cents. It's a much deeper conversation about how you're going to achieve the shared vision you have for your lives.

Some people want to retire and travel. Others want to take a mid-career break and join the Peace Corps for a few years. Planning a financial future together means taking what you know of your past, your present, and what you desire of your future and setting a foundation for a life vision. Once you do that, you can take actionable steps to achieve that vision.

Tips for Planning Your Future

CHOOSE THE RIGHT ENVIRONMENT

Before you sit down with your partner to discuss your financial future, pick the right space and timing. If Jay and I had talked about our collective financial future after a long, trying workday, we wouldn't have gotten very far. Or if we had discussed it in an environment that makes one of us tense, it wouldn't have set the correct tone for the meeting.

TALK TO THE RIGHT ADVISOR

Many couples come to me because they feel their current advisor is only meeting the needs of one of them. Maybe the advisor only talks to one of the spouses. Maybe the advisor uses too much industry jargon when meeting with the couple. Whatever the reason, if you decide to work with a financial advisor, make sure that professional is meeting your needs and your spouse's. Your relationship with your advisor will affect your financial goals, so make sure you're with someone who is right for you.

Conversation Starters

1. What is your spouse's money story and how does it affect his/her spending and saving decisions?
2. As a couple, how will you manage your finances?
3. Do you both get a checking account and a separate credit card, and/or will there be some sort of joint account?
4. Is there a spending limit where one spouse must consult the other before making a purchase?
5. What values do you share?
6. What values conflict and how might this affect your future financial plans?
7. What is your shared vision for the future and what steps do you need to take to achieve that vision?
8. What are your fears around money?



I sincerely hope you enjoyed reading this chapter of my book. The stories that I share in it are very meaningful to me and they have shaped me both personally and professionally.

Thanks again!

All my Best,

Kathy Longo