Getting Married

Put your financial house in order before you tie the knot

BY JUDY DAHL

Ah, true love. What could be more romantic and beautiful? And when you find your soul mate, what better way to show your love and commitment than by sharing the perfect wedding with family and friends and then jetting off on an exotic honeymoon? When you fall in love, it's tempting to throw caution to the winds and do just that.

But don't move too fast—not only do you have to pay for that (possibly) extravagant wedding and honeymoon, but afterward you and your spouse have to manage your financial lives together.

Getting married poses many money management considerations for you and your significant other. Is one of you a spontaneous spender and the other a planner and a saver? Will you pool your money or keep separate accounts? If you come to consensus on these and other questions before saying "I do," the course of true love is more likely to run smooth.

- My future spouse has a significant amount of debt. How will that affect me, us?
- I'm uncomfortable coming clean about my total debts and my credit history. Do I have to?
- How will we combine our finances?
- What if we have different attitudes about saving, spending, sharing, and investing?
- How should we manage our income and expenses together?
- How often should we review our finances?

- How will being married affect our taxes?
- What changes should we make to our insurance plans?
- What about our savings and investment plans?
- How about estate planning?
- We're both marrying for the second time. Are there additional financial questions we should consider?
- How much should we spend on our wedding?
- How do we stay within the spending limits we've set for our wedding?
- Can we afford a honeymoon and, if so, how much should we spend?
- What should we do if we run into trouble financially?

My future spouse has a significant amount of debt. How will that affect me, us?

You're not legally responsible for your spouse's premarriage debt. However, after you marry, you *and* your spouse are jointly responsible for any debt either of you accumulates. And if you apply for credit jointly, your spouse's credit record can damage yours. It may affect your ability to meet shared financial goals such as purchasing a house.

If you and your spouse continue using your respective credit cards, after a while it becomes difficult to distinguish what debt is premarital and what has accumulated since your marriage. You may want to consider having an attorney help you establish a prenuptial agreement that spells out which debt is premarital and who's responsible for it.

Before you get married, agree how you'll handle the premarital debt. Will your spouse remain solely responsible? Will you agree to pay a portion of it? Will you agree to make it a shared expense and make payments as you would for any other household bill?

Keep in mind that if your intended has a pattern of irresponsible spending and amassing debt, there's no guarantee the behavior will stop after you're married. You may want to postpone your marriage until he or she pays down the debt and demonstrates more responsible financial behavior.

I'm uncomfortable coming clean about my total debts and my credit history. Do I have to?

Trust is the foundation of a good marriage, and if you hide this important information from your prospective spouse, how can you expect him or her to trust you? How can you plan your financial future together if you're concealing important information that will affect him or her? Come clean, and then work together on a plan to pay down your debt.

Remember that, when you marry, your credit record affects your spouse's if you apply for credit jointly. And if all the credit is in your spouse's name, you'll have a hard time getting individual credit if you divorce later or if your spouse dies. As you pay your debts, keep at least one credit card in your own name and use it periodically—and pay the bills on time—to protect your ability to get credit in the future.

The employees at your credit union can advise you and your significant other about how to make a spending plan, pay your debts, and repair your credit record. Another option is to contact the National Foundation for Credit Counseling (NFCC) for assistance. The NFCC, in Silver Spring, Md., has nonprofit Consumer Credit Counseling Service (CCCS) affiliates around the country ready to help anyone get back on track from financial difficulty.

The CCCS provides free or low-cost confidential consultations with professional budget counselors trained and certified by the NFCC. The service can arrange debt repayment plans between consumers and creditors and sometimes negotiate lower fees or reduced penalties on delinquent bills.

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How will we combine our finances?

It's a good idea to start by figuring out where you stand financially. Order free annual copies of your credit reports from the three national credit bureaus—Equifax, Experian, and Trans Union—to see what your credit histories look like. You can check all three companies at the same time, or order a report from a different company every four months to monitor your report throughout the year. Use statements from your checking and savings accounts, credit card accounts, investment accounts, and any other relevant documents to determine the scope of your assets and debts.

Discuss your financial goals, both short-term ones such as buying a house and long-term ones like saving for retirement, so you understand each other's expectations. Then create a realistic budget that works for both of you and will help both of you attain your goals.

- Decide how much you'll deposit into a savings account each month.
- How much will you invest?
- What amount will you set aside for emergencies?
- What amount should each of you be able to spend as you wish?
- Will both of you have full-time jobs, or will one of you work part time or stay home?
- If one of your incomes is higher than the other, will you each contribute a percentage of your income to joint expenses or an equal amount?

There are several different ways you can combine funds, so have a frank discussion and figure out what will work best for you and your significant other. Some couples keep their financial accounts separate and decide who will pay what expenses. Others open a joint account, but each spouse also keeps a separate account to maintain some independence, and the two agree on how much each will contribute to the joint account. Still others pool all of their money in shared accounts. If you structure things one way and find it isn't working, you can always mutually agree to change your method later.

What if we have different attitudes about saving, spending, sharing, and investing?

Discussing this early on will help prevent later disagreements. Talk with your significant other about how you approach handling money, addressing questions such as:

- Beyond bills, what do each of you spend money on?
- How much should each of you be able to spend without consulting the other?
- What's your risk tolerance when it comes to investments and what are your investment goals?

- How do you feel about using credit?
- What are appropriate uses of credit?
- How much debt is too much?
- What are your career goals?
- Would one of you want to stay home if you had children?
- Do you pay bills on time?
- Do you stick to your spending plan?

If you have different attitudes about money, come up with some money-management ground rules you both can live with. Agree to review your finances regularly and keep the lines of communication about money honest and open.

Share financial know-how

There's a natural tendency for couples to split household responsibilities based on comfort levels. For instance, one may specialize in personal finance and the other may be the landscaper. If you are the finance specialist in your marriage, you may feel guilty about not sharing these activities and information with your spouse, guilty about not imparting this necessary information to the person who one day may survive you, according to David Palmieri, community relations and education manager for Accel, Farmington Hills, Mich., a financial counseling company. Palmieri says the antidote is to "make opportunities to teach—even if it's just for five or 10 minutes a month."

Don't try to do too much at one time; go step by step. Before long, your spouse will become familiar, even if in general terms, with what it takes to run the household finances.

Hand in hand with that, help your spouse by keeping good records. Palmieri says, "Annually update your financial inventory of where the important documents are, who are your financial advisers and contacts—even where is the safe deposit box key."

Source: *"Specialists" Share Financial Expertise With Spouses;* Home & Family Finance Resource Center

How should we manage our income and expenses together?

First, decide who will manage your money. Who will keep track of checking, savings, credit card, loan, and investment accounts? Who will pay the bills? You can divide the responsibility if that makes sense for you, but both of you should be aware of where your money is going. If you don't identify who's responsible up front, bills may go unpaid and accounts might get neglected.

Then have frequent "meetings" to discuss your finances. Talk about whether you're sticking to your budget, whether you're on track toward meeting goals, and about anticipated major expenses and how you'll handle them. Evaluate how your money management system is meeting both of your needs and agree on changes if necessary.

Establish an organized space where you can pay and store bills. Be sure you both know what important documents you have and where they're stored.

How often should we review our finances?

It's essential to review your finances—both short- and long-term—regularly. You'll probably want to check in with each other every couple of days about ordinary expenditures and any unexpected ones that have come up. At least once a week, it's a good idea to take a look at how much money you have in your credit union accounts and discuss your expenses for the coming week. Monthly, review your budget to plan when you'll pay the next month's bills and make any adjustments to your planned spending. Review your investments when you receive your statements. Annually, review how your money is invested and make changes if necessary—your credit union professionals can advise you about this or refer you to a financial planner.

How will being married affect our taxes?

No matter what time of year you get married, the IRS (Internal Revenue Service) considers you married for that entire year. So, you'll file your tax returns as a married couple for that year, even if you didn't get married until December.

You and your spouse can file taxes jointly or separately. Your unique financial circumstances will dictate which method results in your paying less. If you do your own tax returns, complete the forms both ways to see which creates the lower tax liability. If you use a tax preparer, he or she can provide advice about which method to use. IRS Publication 501 also has information about deciding which way to file.

Either way you file, don't forget to update your number of tax exemptions with your employer(s) for your W-2 forms.

Generally, most married couples file jointly. Their tax liability is usually lower this way if one spouse's income is significantly higher than the other's. There are also several tax credits available to couples filing jointly. And you only have to complete one set of forms with this method.

However, under certain circumstances you'll pay more in taxes if you file jointly. Often if both spouses earn similar amounts the tax liability is lower if you file separately, for example. You may want to consult a tax preparer in your first year of marriage and any time your financial circumstances change dramatically.

If you do file jointly, each person signing the return is responsible for the entire tax liability—not just half. So if you sign a return that includes errors, the IRS can attempt to collect additional owed taxes and any penalties, even if you're now divorced. So, make sure both you and your spouse understand and agree with the way your tax return is completed before you sign it.

IF YOU DO FILE JOINTLY, EACH PERSON SIGNING THE RETURN IS RESPONSIBLE FOR THE ENTIRE TAX LIABILITY—NOT JUST HALF.

What changes should we make to our insurance plans?

There are a number of types of insurance to consider, including life, disability, auto, home, and health insurance. Even if you have insurance before marriage, your coverage needs may change afterward and you may qualify for reduced premiums as a married couple.

If you have health insurance through your employer, there's often a discount to add coverage for family members, so it's probably more affordable for your spouse to move to your plan. If you're both covered by employer plans, figure out which is more affordable for you as a couple—or which offers better benefits—and use that one. Review your policies to determine which is less costly, or contact the insurance companies or the human resources departments at your employers for advice. Be sure you don't miss your employers' annual deadlines to add or cancel health-insurance coverage.

Auto insurance companies typically charge lower premiums for married couples than for individuals, so it probably will make sense to switch to a joint policy.

If you're moving into your spouse's home, review the homeowners insurance policy covering the home. Adding your possessions to the home will increase the value of your assets, so you may need higher coverage. Be sure to cancel the policy in place for your current home or apartment.

If you and your spouse rely on both of your incomes, consider adding life insurance that would ensure financial security for one partner if something happened to the other. If you have children, both parents should be covered even if only one works outside the home—a surviving spouse would have significant expenses buying the child care and home care services of a deceased spouse.

There are two types of policies, term insurance and whole life. **Term insurance** usually has lower premiums and covers a specific period of time. The policy pays out

AFTER THE KNOT IS TIED

You came clean about your financial situation before marriage. It's just as important to keep communication lines open in the future. Schedule time each week to sit down and talk about money. If you have kids, plan an inexpensive date night for just your spouse and you to converse about financial topics.

If you're planning to start a family, it's never too soon to start saving for your children's education. All states have special tax-advantaged educational savings plans you can use. The U.S. Securities and Exchange Commission's Web site has information about these plans. The professionals at your credit union also can help you set up a college-savings plan.

only if the insured dies during that term, or period. **Whole life insurance** generally has higher premiums, and it stays in effect as long as the insured pays the premiums. It pays a guaranteed death benefit, and the cash value of the policy increases over time. Talk with your insurance agent about which type of coverage makes most sense for you and your spouse.

What about our savings and investment plans?

If you have an employer retirement plan, list your spouse as the beneficiary. If you're not yet taking advantage of your employer's retirement benefits, such as a 401(k) plan, consider contributing to the plan. If your employer offers a contribution match, you'll want to contribute at least this much. If such a plan isn't available to you or you've already maxed out contributions to this plan, consider opening an IRA (individual retirement account). Both types of plans have tax advantages.

If you have additional funds to invest, talk to your credit union planner about your options. There are many ways to invest money, including mutual funds, money market accounts, and share certificates; the investment instruments vary in terms of earning potential and risk.

You'll probably want to list your spouse as the beneficiary on your retirement plans. For nonretirement investments, you'll probably want to be joint accountholders.

How about estate planning?

It's important to have basic estate planning documents in place to help ensure your desires are followed at the time of your death.

You and your spouse each should establish individual wills that will govern how your assets will be disposed of at your death. If you die without a will, your state's laws will determine how your assets will be distributed and your estate could be tied up in more lengthy, costly probate processes. In many states, you can create your own will. You may also get assistance from an

Should we have a prenup?

While it may not seem very romantic or trusting to think about your marriage ending before it even begins, in some circumstances a prenuptial agreement is a good idea. A prenuptial agreement is a document both partners sign before marriage that defines the ownership of assets between the spouses. This assists in determining how the assets are divided if the marriage ends. Such an agreement may be desired if either partner brings significantly more assets, such as money or property, to the marriage, or if either partner has children from a previous relationship.

If you have a large sum of money, or valuable real estate or goods, for example, and you and your prospective spouse agree that those assets should belong strictly to your children from a previous marriage at your marriage's end, you might mutually agree to that in a prenuptial agreement.

If you will have a prenup, it is wise for you and your prospective spouse to hire your own lawyers. This will ensure that both parties have nonbiased advice and the prenup will have less chance of being challenged in the future. You also should form the agreement well ahead of your wedding, so both parties have the opportunity to discuss and negotiate the agreement without undue pressure.

attorney. If you create your own will, your state will have requirements you must meet to make the will valid. If you have children, a will is a place you can name guardians for them to ensure they are cared for as you desire after your death. If you do not name guardians, the state laws, or a judge, will determine who is the best guardian of your children.

PEOPLE WHO REMARRY ARE LIKELY TO HAVE MORE FINANCIAL OBLIGATIONS THAN THOSE WHO HAVEN'T BEEN MARRIED BEFORE.

Your attorney can advise you if you might need other specialized estate planning tools, such as trusts, to meet your goals.

KEEP WEDDING COSTS DOWN

Set a date outside the traditional wedding season (late spring through early fall), and hold the festivities in the morning or afternoon rather than the evening. Fees for many services are likely to be lower at less popular times.

Share costs with other couples—schedule your reception right after another couple's, use the same decorations, and split the cost, for example. Same goes for the flowers used in the ceremony.

Choose more greens and fewer expensive blooms when it comes to flowers, and use blooms that are in season.

Choose a machine-made dress, or shop at sample sales and outlet stores. You might find a tremendous bargain at a resale shop.

Downsize the cake—if you want a many-tiered one, make several bottom tiers false ones. Then buy less expensive sheet cakes in the same flavor as your wedding cake and cut them in the back room before serving guests.

For sit-down meals, limit the number of courses you serve to reduce catering costs.

Watch the cost of party favor items for guests—they can really add up.

Choose simple invitations rather than those with elaborate engraving on fancy paper with many separate pieces.

Keep your guest list as small as possible.

Hold your reception outdoors or at someone's home rather than renting a hall.

You and your spouse might each want to establish power of attorney documents, and/or health care directives, that will make your desires known and can grant your power to make health and/or financial decisions to someone you trust.

We're both marrying for the second time. Are there additional financial questions we should consider?

If you're marrying for the second time, it's even more important that you and your partner fully disclose your financial situations, including credit card debt and any credit judgments or bankruptcies. People who remarry are likely to have more financial obligations than those who haven't been married before. Ask your partner if he or she is paying alimony to a former spouse, or paying child support, or providing financial support to elderly parents. Be sure you understand how these circumstances would affect your joint finances going forward.

A prenuptial agreement is often a good idea with second or subsequent marriages, to ensure your property is divided according to your wishes if the marriage ends. You and your partner also should establish wills or update existing ones to reflect the new relationship.

If either you or your partner has children from previous marriages, decide how they'll be supported financially. How much support does your former spouse provide? How much support will you and your new spouse provide? Will that support come from your pooled funds or will you pay all or part from your personal accounts?

Detailed planning for the disposition of your assets and debts, and for ongoing money management, will lessen the chances of financial strain damaging your relationship after you marry. It can be a complicated process, so consider asking the professionals at your credit union for advice and assistance.

How much should we spend on our wedding?

According to Richard Markel, president of the [Association for Wedding Professionals International,] Sacramento, Calif., the average cost of a wedding in the U.S. is now between $21,000 and $24,000. Brides.com's American Wedding Study 2009 reports that the average wedding dress costs $1,075. The engagement ring can cost thousands of dollars, and then there's the reception—which typically accounts for half the cost of a wedding.

The expenses can climb quickly, so it's important to develop a budget for your wedding and stick to it. You don't want to start your marriage deeply in debt from throwing a too-elaborate reception.

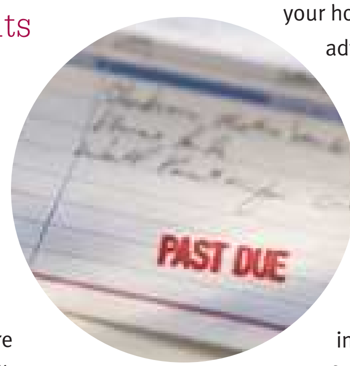
To set your wedding budget, begin by talking to all parties who'll contribute to the cost. Traditionally a bride's parents cover most wedding expenses, but these days the groom's parents often contribute significantly, and the bride and groom often pony up as well. Decide who will pay for what, and what amounts they'll contribute, to come up with your total budget.

Then determine what items you want your wedding and reception to include, and how much money you'll allocate for each. If some items are especially important to you, such as a lavish sit-down dinner, cut back in other areas. Maybe you don't need a hand-sewn wedding dress; perhaps you can even borrow one from a friend or family member.

Most important, remember that your friends and family want to share your special day with you. They're not focused on the centerpieces, the flowers, and the party favors, so don't break your budget trying to impress them.

If you need to save money for your wedding, ask a lender at your credit union for tips about the best way to earn dividends on your savings.

How do we stay within the spending limits we've set for our wedding?



It's easy to find yourself exceeding your wedding budget. To stay on track, open a separate account for your wedding fund so you can see how much you're really spending, and track all expenditures carefully.

When you negotiate with vendors, don't let them tempt you to upgrade your purchases. Stick to your priorities and your budget—your reception won't be a failure if you serve fish rather than lobster.

And to prepare for unavoidable cost overruns, reserve a portion of your total wedding fund for emergencies, say 5%. For example, if your reception runs long, your venue may charge additional fees. If you have an emergency fund, you can cover such expenses.

Can we afford a honeymoon and, if so, how much should we spend?

Just as with your wedding, it's important to stay within your honeymoon budget. It's not worth starting your marriage deep in debt to finance a trip you can't afford.

Discuss with your future spouse how important a honeymoon is to both of you. If money is tight, would you rather postpone the trip a year? Five years?

If a trip is important to both of you, decide how much you should spend, given your other financial obligations and goals. Once you know the total amount, determine how you'll save that much in the time available to you.

Then talk about what you'd like to do on your honeymoon. Do you want adventure and activity, or to lounge on a beach? Do you prefer an urban hotel or a cabin in the woods?

If your budget is small, look at destinations a short drive from your home. A bed and breakfast in a nearby town might be the perfect setting for romance. If you want to go further afield, look for special vacation packages—booking your airline flight, rental car, and hotel together can often yield significant discounts. Traveling outside the normal tourist season helps as well.

As your plans take shape, prepare a budget and determine how much each element of your trip—transportation, lodging, meals, entertainment, souvenirs, and more—will cost. Then track expenditures carefully. If you go over in one area, figure out how to cut costs in another. And as with your wedding, reserve a portion of your total budget as an emergency fund. Then—enjoy!

What should we do if we run into trouble financially?

If, despite your best efforts, you and your spouse have financial trouble, call your credit union for advice. Its experts can help you develop a plan for getting your finances back in order. Your credit union staff may refer you to a nonprofit financial counseling organization, such as CCCS, but beware of for-profit services that may not have your best interests at heart.

Useful resources

[Average cost of weddings in your area]

[Wedding budget checklist and calculator]

[National Foundation for Credit Counseling]

[Budget worksheet]

[Are you ready for marriage? Take this test and see]

[Life insurance needs calculator]

[IRS Publication 501 (information about filing joint or separate tax returns)]

[Information about tax-advantaged educational savings plans]

[IRS' information about 401(k) plans]

[IRS' information about IRA plans]

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