



Circulation: 2,199,052.

Copyright 2006 Gannett Company, Inc.  
All Rights Reserved  
USA TODAY

SECTION: MONEY; Pg. 4B  
LENGTH: 1141 words

April 28, 2006 Friday

## **Compromise vital to successful financial life; Couples must learn how to talk about money, goals**

BYLINE: Kathy Chu

If you have serious hopes of achieving financial peace with your partner, keep this in mind: Compromise is the most vital ingredient.

The first step toward compromise is simply to talk with each other about your finances. Trouble is, for reasons that baffle and confound financial planners, couples often spend more time planning their annual vacations than they do discussing their long-term financial goals.

Even couples who do talk tend to minimize their problems and exaggerate how well they're managing their finances. Major problems tend to include spending more than you earn and anointing one person the financial czar in the household, while the other person relinquishes all control.

What to do? First, acknowledge your problems. Not doing so can be an "absolute barrier to making progress on the road to financial security," says Greg McBride of Bankrate.com, a personal-finance site.

You also need a plan of action. A survey that the Financial Planning Association conducted for USA TODAY this spring found that 60% of planners say the most valuable move couples can make to improve their financial lives is to set specific goals, such as socking away a set amount each month for retirement and the kids' college education.

That's critical, because, "How do you know you're on the right path unless you know what the destination is?" asks Dan Moisand, president of the FPA, whose members include about 27,000 planners. "It's particularly helpful if you're both trying to get on the same path," because this will make it easier to reach your goal.

Some major financial issues that trip couples up and how to resolve them:

### **Communication**

Hold regular meetings, whether each month or twice a year, to discuss your goals and update each other on your progress.

Money is a touchy subject. It might mean financial freedom to one member of a couple -- the one who runs out to put a down payment on that spiffy Porsche Boxster the moment the year-end bonus arrives. And it can mean security to the other partner -- the one who pulls as much money as possible from each paycheck and directs it into a savings or investment account.

Find out where your partner stands. "The more couples discuss things and try to understand each other's perspective, the more they respect each other," says Bill Ramsay, a financial planner in Raleigh, N.C. "The more they respect each other, the better their relationship works and the better their finances tend to go."

Financial compatibility isn't necessarily about having the same spending habits; rather, it's about being able to accept differences in each other's approach to money and to work together, says Diane McCurdy, author of *How Much Is Enough? Balancing Today's Needs With Tomorrow's Retirement Goals*. Crafting a budget should accommodate the needs of both partners, even if one is mostly a spender and the other a saver.

One piece of good news: Most couples already talk to each other before making major purchases. Among those living with, or married to, another person, 96% generally do so, according to a March USA TODAY/CNN/Gallup poll.

### **Too much debt, too little savings**

The general wisdom is that your housing expenses, such as rent, mortgage payments, property insurance and property tax should not exceed 28% of your gross income. These costs and other debt payments -- such as on credit cards -- should be no more than 36% of income.

For savings, try to put away 10% to 25% of your gross monthly income, increasing the percentage as you age and approach retirement, advises financial-services company TIAA-CREF.

Unfortunately, credit card debt has become a way of life for many couples who use plastic to spend more than they earn. This "disconnect between spending and income"

leaves "little room for saving or flexibility," McBride says.

The top areas where men tend to overspend are on high-tech gadgets, sports events and equipment, according to the FPA survey. Women tend to overspend on clothing and kids, the planners say.

Stop the debt cycle by paying yourself first. Direct a portion of your monthly paycheck into your retirement account, children's education account or even your personal travel fund. Step this up whenever either of you gets a raise.

You can make your financial lives easier by automating bill payments, too. The mortgage, student loans and credit card bills will automatically come out of your account every month.

You won't miss money you don't see. And you won't have to whimper about that \$39 late charge you got hit with for sending in your credit card payment one hour past the deadline.

### **Dominant player**

One person can take the lead on major investment decisions. But that person shouldn't dictate how the couple's financial empire should be run.

What does this mean? "You don't get to bow out of being involved," says Elizabeth Jetton, a financial planner in Atlanta. "One of you may be better at handling the big picture, but you have to agree this is your goal."

Both partners should have a broad overview of their combined assets and debt, how their money is being invested and where. This is true even if one person manages the bill payments and the other oversees the investments.

In most relationships, men still oversee investments and take charge of most financial decisions. But there's a practical reason for women to get involved: They typically live longer than men. Divorce, too, tends to thrust financial responsibility suddenly onto women's shoulders.

### **Hiding valuables**

Nearly 55% of couples hide financial assets from one another, according to the FPA's survey of financial planners. This could mean, say, receiving an inheritance and failing to tell your spouse about it or opening a secret bank account in the Cayman Islands.

Among divorcing couples, this tactic is a way to keep one spouse from getting at the asset. But it's not always intentional.

"If they have an account somewhere that they forgot about, then find it and come clean,

then that's one thing," says Haran Levy, an accountant in Houston. "If they fraudulently do it, that's different."

This practice is banned in California, a state that considers most assets acquired after marriage as joint property. If a spouse hides a communal asset to avoid having it divided up in divorce, a court could award the other spouse the entire asset.

One lottery winner, Denise Rossi, found this out the hard way. In 1999, a California court awarded her husband the full \$1.3 million lottery payout she had won and failed to declare during the couple's divorce proceedings. An appeals court upheld the ruling two years later, on the grounds that Rossi had intentionally concealed the asset.

Everyone needs some financial freedom. Agreeing to have separate bank accounts is one way to go about it. But hiding assets is not recommended.

"There's obviously a trust issue there that could go way beyond money," Moisand says.