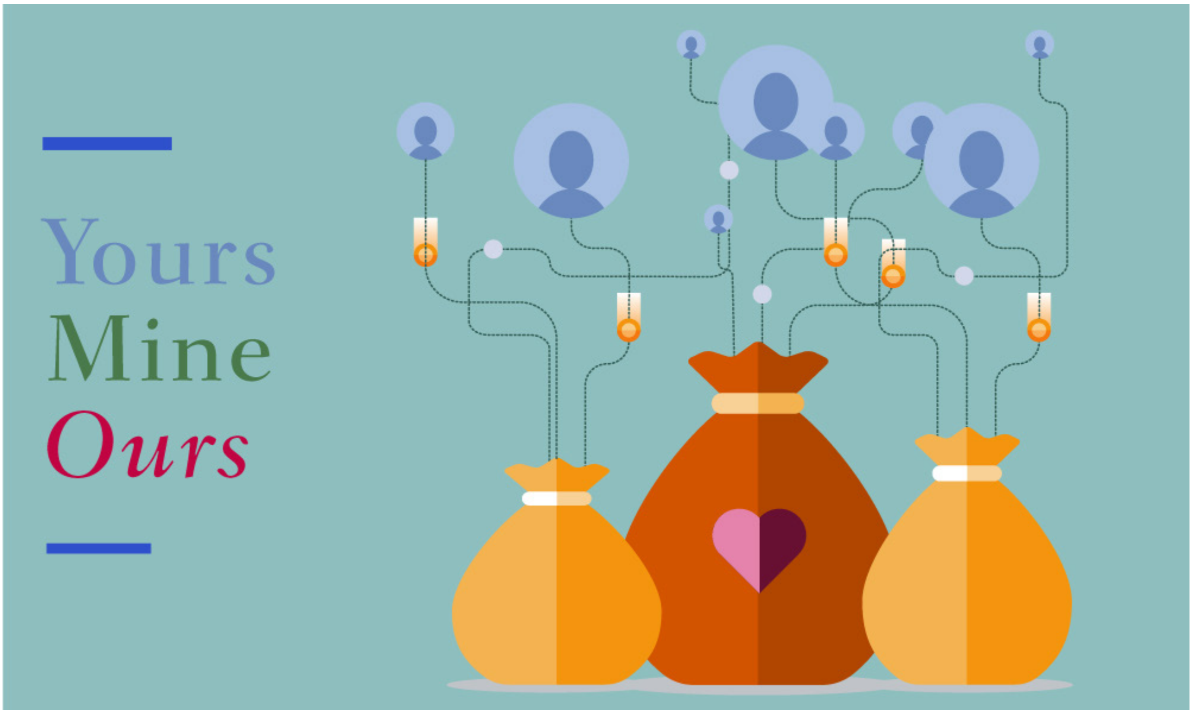
BLB&B Advisors, LLC
FINANCIAL GUIDANCE SINCE 1964℠

MONEY notes



Considerations around co-mingling funds

When it comes to planning a wedding, there's seemingly no end to the myriad details couples need to consider; from the many particulars surrounding the big event to longer-term decisions regarding living arrangements, careers, kids, etc. Amidst all this change, however, one of the most critical considerations often gets pushed aside or completely overlooked. *How do you plan to manage your finances as a couple going forward?*

There is no right or wrong way when it comes to decisions about whether or not to pool your assets or how you'll handle income and expenses, saving, investing, and paying bills. Some people (regardless of how much they bring into the marriage) wouldn't dream of keeping their assets separate from their spouse's. Others – especially in cases where one spouse is worth substantially more; or where one party enters the marriage with no liabilities while the other has significant debt – may opt to protect the assets they bring to the marriage either through a prenuptial agreement or through the use of a trust.

There's an old adage that cautions, *"Hope for the best but prepare for the worst."* It's a difficult truth that many marriages will ultimately end in divorce. Therefore, if unexpected and undesired financial surprises are to be avoided years down the line, both spouses need to enter the marriage with their financial eyes wide open.

Marital vs. Separate Property

What assets or liabilities are considered shared and which are deemed the property of one spouse will depend on several factors. Marital property definitions vary from state to state. Most states adhere to *common law* provisions, where only property and debts acquired by the parties during the marriage are subject to equitable division. However, in the handful of *community property* states the rules are a little less cut and dried.

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In community property states, assets owned by one spouse prior to the marriage, or gifted to/inherited by one spouse during the marriage, are generally considered separate property **unless** those assets have become so intertwined with community property that they can't easily be identified or separated. For example, depositing an inheritance you receive from your parents into an account that is held jointly with your spouse could potentially "transmute" those funds so they legally become marital property.

What Should We Co-mingle?

Certainly a single co-mingled joint account can greatly simplify your day-to-day financial management – from monthly budgeting to bill paying and expense management. A joint operating account also provides a useful way for you and your partner to effectively manage your joint credit and tax liability.

Don't, however, deposit funds from separate property sources into joint accounts, unless you intend to convert the money to marital property. Pay close attention to the titling of all financial accounts. Assets intended to be separate should be kept in the name of the spouse who owns them (or in the name of a trust for a spouse), not in a joint account. And think first before co-signing any loans. Regardless of whether only one party benefits from the money borrowed, co-signers are held equally responsible for repaying that debt. It may seem prudent to use your higher credit rating to help restructure your spouse's $75K in student loan debt at a lower interest rate, but be aware that doing so will make that liability a shared obligation.

Communication Is Key

Open and honest financial conversations can sometimes be uncomfortable. But having a clear understanding of your new, complete financial picture is critical. Keep in mind that you and your spouse may be coming into the marriage with vastly different financial values, attitudes, behaviors, and resources. So, careful planning and a great deal of upfront and ongoing dialogue will be critical.

The following are a few simple steps that can help you engage in more productive and less stressful financial conversations:

1. Devise a basic saving, spending, and investing plan that you can both live with; it will help stave off future conflicts and minimize any unexpected /unpleasant surprises.

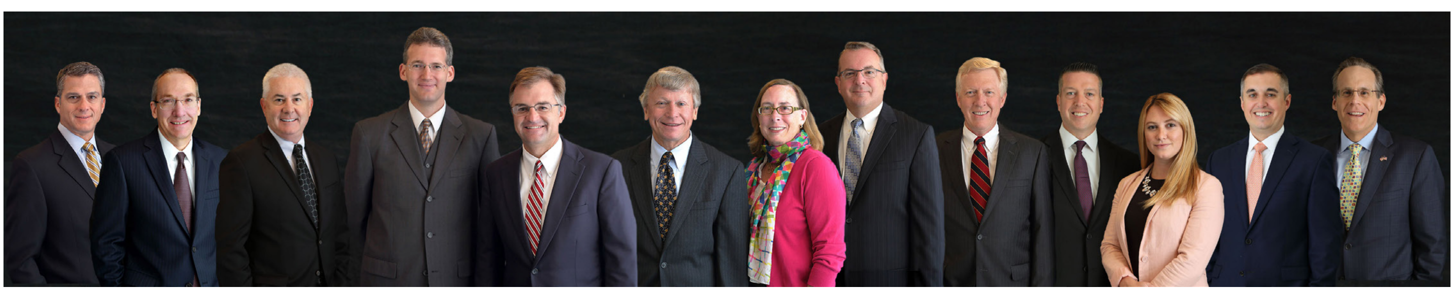
2. Especially during the first few years of marriage, make sure you both regularly monitor income and expenses and talk about your financial wellness.

3. Set aside one day each month to talk about your short- and long-term financial goals, review monthly expenses, and discuss any financial questions or concerns you may have (e.g., perhaps one spouse is worried about taking on too much investment risk).

4. Consider inviting your BLBB Advisor to join you both to focus on a specific area of financial planning such as retirement planning, insurance, or educational saving.

5. Try to keep your financial discussions positive rather than contentious. Open a bottle of wine, be upbeat, and at all costs avoid criticizing decisions or assigning blame. Rather than dwelling on the financial mistakes of the past, agree to focus on positive actions you can both take moving forward.

You don't want to wait until a personal financial crisis arises to begin addressing the question of whether and how you and your spouse will manage individual and joint assets, liabilities, income, and expenses. While a prenuptial agreement is one way to ensure that certain property acquired prior to marriage won't be subject to division upon your death or divorce, it's an avenue that many people feel uncomfortable pursuing. There are, however, other solutions that your BLBB Advisor can help you explore.



L to R: Robb Parlanti, Doug Huntley, Ed Barnes, Clif Haugen, John Lawton, John Armstrong, Laura Brewer, Dean Karrash, Bob Johnson, Brian Gallagher, Brianna Barnes March, Nick Bucci, Bob Flood

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