FINANCIAL STEPS TO TAKE WHEN YOU GET MARRIED

Before you say "I do", some things to do

Provided by Timothy C. Hucks, CEP, President, Rising Tide, Inc.

Are you marrying soon? Have you recently married? As you begin your life together, it's important for you to start planning your financial future together and putting your finances on the same page. Here are some priorities you might want to write down on your financial to-do list …

Plan for retirement. There is a chance that decades from now, many of us who are currently saving and investing for the future might end up millionaires. Actually, we may all <u>need</u> to become millionaires.

Consider this: according to current Social Security Administration projections, the average 63-year-old in 2010 is projected to live until age 84.[1] So today's typical retiree is looking at a retirement of approximately 20 years. Some of these people will live past 100 – many more than in previous generations.

Given ongoing advances in health care, how long might you live? Living to be 90 or 100 might become commonplace for the members of Gen X and Gen Y. Factor in inflation's effect on the cost of goods and services, and you can see a possible scenario ahead where you might need, say, $100,000 or more a year for 30 years to have a nice retirement in which you don't outlive your money.

This (strong) possibility means you may want to make saving for retirement NOW a higher priority.

In a typical couple, one spouse is more risk-averse than the other (sometimes dramatically so). So you need to agree on the investment approach you take, preferably with the help of a financial consultant who can help you determine how much money you might need for certain life goals or financial objectives.

Manage debt. Many of us go through life shouldering five-figure or even six-figure debts. When couples marry, the danger is that one spouse's debt will be seen as "his debt" or "her debt". Arguments may start because "your debt" is hurting "us".

Debt management should be a priority for any newly married couple. There are good debts which we assume on the way to a positive result (such as a mortgage), but there are also bad ones we assume through our credit cards and other channels.

Live within your means. An established, mutually-agreed-upon budget can be very helpful in this regard. Different people have different levels of thrift, and different perceptions of what a "bargain" looks like. This perception gap can result in some interesting financial moments in your life – your spouse may pick up a "bargain" that you would call an extravagance.

Save for college. If you plan to raise children, it's never too soon to start. You can do it a little at a time, a little per month. You can open a college savings account using different investment vehicles – stocks, funds, or investments with lower risks. 529 plans in particular offer you some fine tax breaks.

Insure yourself. If you are under 40, you may not have any kind of disability or life insurance. You may feel you don't need it yet. However, getting a policy early can be cost-efficient: if you buy a term life policy (or even a permanent life policy) when you are young and healthy, chances are you will pay less expensive premiums than people in their 40s and 50s who may be obese, diabetic, heavy smokers or drinkers.

Communicate to avoid surprises. No matter how much of a "we" a couple becomes, there is always the need for some private space, some individual pursuits and "me time". That's great, but that's probably not the best approach when it comes to your shared financial life. When a spouse starts to hide a money-related matter or omit it from conversations, it may open the door to troubles. Open, frank conversations about money may be the best way to avoid problems in your finances (as well as your relationship.)

Build an emergency fund. You've probably watched or read a number of stories about couples who were hit hard by the downturn – nice, once-affluent people who suddenly had to live in their car or a motel. When things got rough, many had no emergency fund to sustain them and ended up homeless.

Consider building up a cash reserve (gradually, if necessary) that you could tap into should something go wrong. You won't regret having it around.

Timothy C. Hucks, CEP, is a Certified Estate Planner, Registered Investment Advisor and President of Rising Tide, Inc. He may be reached at www.risingtideinc.com, 919-968-8675, or tim@risingtideinc.com. Securities offered through Capital Investment Group, Inc. Corporate Office: 17 Glenwood Avenue, Raleigh, NC 27603 • 919.831.2370. Member FINRA/SIPC.

Citations

1 – chicagotribune.com/business/sc-cons-0819-journey-20100819,0,1141623.story [8/19/10]