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MARKET MATTERS: Getting engaged? Time to get honest about finances

Joseph Matthews

Millions of people are expected to get engaged Tuesday.

Reports estimate that some six million people traditionally decide to tie the knot on Valentine's Day, with the sales of diamond engagement rings in the billions of dollars. The day historically is one of the most popular for a proposal, along with Christmas Eve and New Year's Day. It certainly is romantic, with hearts and flowers and flutes of champagne filled to overflowing.

Romance aside, individuals may want to take a cooler approach when it comes to combining their finances as a married couple. Many soon-to-be couples omit the all-important money talk altogether if they think such discussions will lead to future discord, but frank conversations about money before marriage can help keep couples on track if decisions are made early on.

Consider including a financial adviser in your early talks to help ask the right questions and organize a plan. Honesty is key. Discuss your debt, obligations and liabilities, as well as your history of making payments. How much does each of you owe in credit card bills, car payments, or student loans, and what is your payment history? What is your credit score?

How will you manage your assets? All assets and their titles, along with who has access, should be clear to both partners. You may want to keep some bank accounts separate, and comingle others. Although you will have to keep your retirement accounts separate, you may want to combine an emergency fund or the checking account used for your joint bills.

Many individuals who marry later in life enter the relationship with property and investments. What are your retirement assets? Do you have insurance policies, and if so, who are the beneficiaries? If the beneficiary is a former spouse, or if you have children from previous relationships, new arrangements might be in order. Same thing goes for your will.

It's especially important to draw up a budget for spending and investing, but first, each of you must clarify your priorities. Do you agree you should save for a house, your children's education, or retirement? Perhaps it's more important for both of you to have nice cars and splurge on vacations while you're young?

Here's where it gets tricky, since you may be entering this union with polar opposite spending habits and beliefs. Perhaps one of you has been shopping and splurging, while the other has been strictly frugal. Whatever your financial goals as individuals, you should be on the same page as a couple, and should agree to stick to a household budget that may include such line items as how often you will eat in restaurants, a monthly clothing stipend for both individuals, entertainment, and even how many fancy coffee drinks you buy each week.

Once you agree on a budget, decide who pays the bills. Will you pay jointly from your two separate incomes? If so, you must designate who pays for what. It may turn out that one of you is better suited to oversee investing and maintaining your combined assets.

Nothing saps the romance from the newlywed stage faster than a heated argument about money. The best way to prevent one is through open and honest discussions and, of course, adhering to any decisions you made before your wedding and will continue to make together as your financial landscape evolves.

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