

Retirement Point

NEWS FOR PLAN SPONSORS AND PARTICIPANTS

June 2018

Should Couples Combine Their Finances?

To consolidate or not: that is the question.

THE MONTH IN BRIEF

In May, investors were left to interpret mixed geopolitical and financial signals. The historic U.S.-North Korea summit was on, then off, then possibly on again. An apparent truce emerged in the U.S.-China tariffs battle, but it did not last. Oil rallied, but then prices fell. Federal Reserve policy meeting minutes indicated central bank officials would accept above-target inflation for a while. Other economic signals were clear: new and existing home sales were down, consumer confidence was back up, and consumer spending was strong. In the end, the markets took all this in stride – the S&P 500 rose 2.16% for the month.¹

% CHANGE	Y-T-D	1-YR CHG	5-YR AVG	10-YR AVG
DJIA	-1.23	+16.22	+12.31	+9.32
NASDAQ	+7.80	+20.06	+23.07	+19.50
S&P 500	+1.18	+12.17	+13.18	+9.32
REAL YIELD	4/30 RATE	1 YR AGO	5 YRS AGO	10 YRS AGO
10 YR TIPS	0.76%	0.40%	-0.05%	1.58%

Sources: wsj.com, bigcharts.com, treasury.gov – 5/31/18,20,21,22

Indices are unmanaged, do not incur fees or expenses, and cannot be invested into directly. These returns do not include dividends. 10-year TIPS real yield = projected return at maturity given expected inflation.

MONTHLY QUOTE

"Never put off 'til tomorrow what you can do today."

- Lord Chesterfield

MONTHLY TIP

The best time to save for retirement may be right after college graduation. Small, regular monthly contributions to retirement accounts have the potential to grow into large retirement funds, thanks to compound interest. An early start to saving means more compounding.

MONTHLY RIDDLE

This word has six letters; the first and last letters are Es. Take away either the first or last letter, and you can pronounce the five letters left to sound the same as the six-letter word. What word is this?

Last month's riddle:

Suzanne, a hair stylist, says that given the choice, she would prefer to cut and style the hair of two redheads instead of one brunette. She says there is a logical reason why. What is it?

Last month's answer:

She can make more money from two haircuts than she can from one.

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Should Couples Combine Their Finances?

To consolidate or not: that is the question.

Some couples elect to consolidate their personal finances, while others largely keep their financial lives separate. What choice might suit your household?

The first question is: how do you and your partner view money matters? If you feel it will be best to handle your bills and plan for your goals as a team, then combining your finances may naturally follow.

A team approach has its merits. A joint checking account is one potential first step: a decision representing a commitment to a unified financial life. When you go “all in” on this team approach, most of your incomes go into this joint account, and the money within the account pays all (or nearly all) of your shared or individual bills. This is a simple and clear approach to adopt, especially if your salaries are similar.

You need not merge your finances entirely. That individual checking or savings account you have had all these years? You can retain it – you will want to, for there are some things you will want to spend money on that your spouse or partner will not. Sustaining these accounts is relatively easy: month after month, a set amount can be transferred from the joint account to the older, individual accounts.

A financial plan may focus the two of you on the goal of building wealth. Investment and retirement plan accounts are individual by design, but a plan can serve as a framework to unite your individual efforts.

You may want separate financial accounts. Some couples want to pay household bills 50/50 per partner or spouse, and some partners and spouses agree to pay bills in proportion to their individual earnings. That can also work.

This may have to change over time. Eventually, one spouse or partner may begin to earn much more than the other. Or, maybe only one spouse or partner works for a while. In such circumstances, splitting expenses pro rata may feel unfair to one party. It may also impact decision making – one spouse or partner might think they have more “clout” in a financial decision than the other.

Even if you staunchly maintain separate finances throughout your relationship, you may still want to have some type of joint account to address basic monthly household costs.

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What else might you consider doing financially? Well, one good move might be to consult and retain a qualified financial professional to provide insight and guidance as you invest and save toward your goals.

Think about how your tax situation might change if you marry. Some people marry and correspondingly change their withholding designation from single to married on their W-4 form. In return, they are shocked to find their income taxes are much more than they ever expected – or they discover they have an enormous refund coming their way. Adjusting your withholding earlier in a calendar year makes more of a difference than if you do so later.¹

If marriage means a name change, be sure to update bank account, investment account, Social Security account, and insurance policy data with time to spare. Marrying couples will probably want to redo beneficiary forms on accounts and policies and make various accounts joint tenants with right of survivorship (JTWROS) accounts or Totten trusts (also known as payable-on-death accounts). A JTWROS or POD account allows the assets involved to pass to a surviving spouse without probate.^{2,3}

Take a look at the auto and health insurance coverage each of you have. You might notice some overlap, and you may want to address that.

The Knot, the wedding planning website, says that the number one priority for 55% of marrying couples is uniting personal finances. Agreeing how to handle your household finances can be a goal whether you marry or not.⁴



For more information on investment choices for your retirement plan, please call our plan's advisor at 202-618-3977 or email at dmakim@pointoak.com

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