Couples and Money

money mentors

Money can cause conflict in any relationship. It can be a challenge when two people merge into one household. But, with some planning and communication, conflict can be reduced. Here are some tips on how to merge your money to reduce conflict and make for a happy home.

Options for how to structure your bank accounts:

1. Pool All Money

All the money that is made in a household goes into one account and all expenses go out of that one account.

<u>Pros</u>: Openness between parties about what is earned and spent. Can make it easy to run one household, which has children and the numerous shared expenses that go with them.

<u>Cons</u>: If the two people have different ideas about money, it can cause conflict on how money is spent. If there are multiple people with access to one bank account the account can be overspent unless a good spending plan is in place. Bills can miss being paid if there is not one clear manager of the finances.

<u>Works well:</u> In families that have children and it is harder to split expenses or single income families. Generally works well if the partners have a similar idea about how money should be saved and spent money.

All monies earned deposited → Household Account → All expenses paid from account

2. One Household Account and Two Single Accounts

Each partner has his/her paycheque deposited into his or her own personal account. Then transfers a specific amount into the household account. Household bills are paid through the household account and the rest is left to the individual. The amount that is deposited into the household account can be equal contributions either 50/50 or proportional contributions if income that is earned is not an equal proportion. Example: Household income is earned 60% by one partner and 40% by the other so bills would be split 60/40.

Terry's Account → Predetermined amount deposited to household from each account ← Robin's Account

Predetermined amount deposited to household from each account → Household Account → Agreed upon household expense paid from account

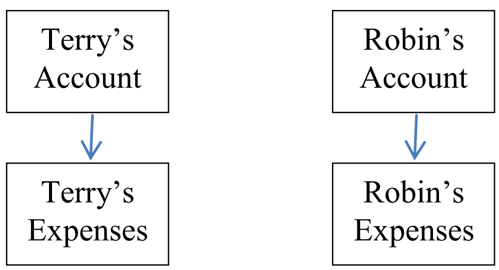
Pros: Each person has his/her own money to spend independently and can avoid many money disagreements between those who have different money personalities.

Cons: Individuals may see the separate accounts as a way to have no communication about finances. Just because the money is separate communication is key to maintain the right amount into household account. Resentment, if one partner feels he or she is contributing more than the "fair share."

Works well: In situations where partners have differing views on how money should be saved or spent or when partners feel more comfortable with some of their “own” money.

3. Two Single Accounts

Each person had his/her own bank accounts and is assigned expenses that are there responsibility to pay.



Pros: Each person is independent for their own finances. Money is not an issue because everything is separate.

Cons: Unless you are very clear about who pays what bills could be missed. If there is no plan for unexpected emergencies they may be put on credit. For example, who pays for new hot water tank for house?

Works well for: families with equal income who want to maintain their own finances or in blended households where it makes sense to keep things separate so each person can fulfill his/her financial obligations.

Some final words

- Regardless of the way you split your finances talk about your money. Set aside a time to talk about mutual goals that you have, issues that come up, changes to your circumstances. Yearly at tax time or monthly when the bills come in.

- Have a plan for emergencies. Will the household have an emergency fund together or separate or will each person be responsible for certain emergencies.
- Review how you are managing your finances as life changes so too may the way you have your money set up. Addition of kids, change of jobs, or other life events may lend itself to changing how you manage your money.