Three Steps to a Newlywed Spending Strategy

Diversified Trust

The twenties and thirties are an ideal time for establishing future financial success. However, various and competing financial goals and responsibilities such as student loans, home purchases, raising children, and saving for retirement can be overwhelming. Diversified Trust has compiled a series to help guide young people toward a brighter financial future.

There's a good chance that during your courtship or amidst the chaos of wedding planning, assets and liabilities failed to come up. Now that you're settling in to life as a married couple, it's probably time for a chat.

Student loans, car payments, mortgages or any other existing debt may now be joint responsibilities, and any individual assets you brought into the relationship become part of the equation as well.

While it may not be the most exciting conversation you and your spouse have, it is one of the most important for your financial future. So set aside a time, put your financial "cards" on the table, and make a game plan for household spending.

Over the next twenty years, older Americans are projected to hand down approximately $70 trillion to their Millennial and Gen X heirs in the Great Wealth Transfer. Gen X (born 1965-1980) will inherit 57% of these assets, while Millennials (born 1981-1996) will inherit 43%.

STEP 1 ▶ STREAMLINE

The simplest and most efficient way to operate the household finances is under joint architecture. A joint checking account can serve as the main resource for most inflows (cash coming in) and outflows (cash going out) for the household.

STEP 2 ▶ DETERMINE HOUSEHOLD INCOME

To figure out your household income, you'll want to talk through recurring inflows for each person up to this point. Things to consider:

- How do you receive payment from your employer – direct deposit or physical check?
- How often are the pay periods?
- Is payment a constant dollar amount or does it fluctuate?
- Are there any other potential streams of income, such as trust distributions or income from an investment portfolio?
- How frequently is this income received?

By compiling this information, you can determine your gross income. Then by deducting federal tax, retirement, healthcare, and other withholdings, you will arrive at your net Income.

STEP 3 ▸ DETERMINE HOUSEHOLD EXPENSES

Now for outflows. Start with non-discretionary expenses, things that you will need to pay no matter what, such as:

- Rent and/or mortgage payments
- Car loan payments
- Student loan payments
- Electric bill
- Water bill
- Cable/Internet bill
- Insurance premiums

NOW CREATE A STRATEGY!

By subtracting total non-discretionary monthly expenses from your total household net income, you can determine your discretionary spending budget. You should also agree upon the amount of money your household can consistently save.

With a joint account and joint spending, you may want a joint credit card - but the vast majority of credit card issuers do not permit a joint application. Most credit card issuers require a primary applicant whose individual credit scores are reviewed to determine eligibility and maximum available credit. An additional user can be added to the primary applicant's account after approval. The additional user's credit will be impacted by the account activity, but not to the same extent as the primary cardholder. Because of the credit impact on both the primary and secondary cardholders, the couple should have a clear understanding of each individual's credit standing and usage.

To even it up, one partner can be the primary credit card accountholder, while the other may have utilities in their name to maintain credit activity. Alternatively, the household may have multiple credit cards under each spouse's name, with specific expenses assigned to designated cards. This will ensure that both partners are continually building credit in their individual names. This equitable use of credit will become important for large scale purchases, where a consistent use of credit is attractive to lenders.

DON'T FORGET TO TALK IT OUT

Financial organization is a key component for financial success. It requires that both parties understand the logistics and mechanics of the flow of capital. Keep a budget, perhaps with a spreadsheet listing all reoccurring inflows and outflows. Also, record the schedule for automatic payments so that both spouses are informed of when expenses are deducted from the bank account.

Communication is a crucial element in many aspects of life, and its importance in organizing household finances cannot be overstated. While one person can certainly be the cash captain, both parties need to know what's coming in and what's going out to ensure success.

IMPORTANT NOTES AND DISCLOSURES

This article is being made available for educational purposes only and should not be used for any other purpose. Certain information contained herein concerning economic trends and performance is based on or derived from information provided by independent third-party sources. Diversified Trust Company, Inc. believes that the sources from which such information has been obtained are reliable; however, it cannot guarantee the accuracy of such information and has not independently verified the accuracy or completeness of such information or the assumptions on which such information is based. Opinions expressed in these materials are current only as of the date appearing herein and are subject to change without notice. The information herein is presented for illustration and discussion purposes only and is not intended to be, nor should it be construed as, investment advice or an offer to sell, or a solicitation of an offer to buy securities or any type of description. Nothing in these materials is intended to be tax or legal advice, and clients are urged to consult with their own legal advisors in this regard.

DIVERSIFIED TRUST

ATLANTA, GA	CHARLESTON, SC	GREENSBORO, NC	MEMPHIS, TN	NASHVILLE, TN
877.955.8266	866.619.1003	855.821.4999	800.264.7498	877.386.7332