"LifeMap is a navigational tool to help you on your path towards personal and professional success. Our belief is that you can achieve a more rewarding career, a more productive organization and a more enjoyable and abundant life."

November 20, 2007

This Week's Message:

Quick Links

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Couples and Money.

Buy low, sell high. No risk, no reward. A penny saved is a penny earned. Buy now, pay later. Research suggests that the money motto that guides your financial life is different from (and perhaps the opposite of) others in your household. The holiday buying season is upon us so I thought this would be a good time to discuss household fiscal harmony.

Dealing with money generates different emotions from

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different people. For some it means feelings of independence, autonomy and motivation. For others, addressing money concerns can raise anxiety about security, power or status. Not addressing these powerful emotions openly and honestly is a predictor of trouble in a household. On the other hand, working out different approaches to money and financial issues can strengthen family relationships, foster improved communication and ensure achievement of family goals.

Consciously or subconsciously we learned many of our financial beliefs and money habits from the households in which we grew up. Unfortunately this holds true regardless of how knowledgeable or successful those households were in management of their finances. Add to this the "traditional" family arrangement where the husband managed the finances which often left the wife (statistics being what they are) divorced or widowed, uninformed, and at some substantial financial risk. Obviously, some lessons are worth learning and others are worth learning from.

One issue of LifeMap cannot ensure financial compatibility so we will return to this topic from time to time. But for now let's tackle some of the most common money miscommunication issues.

Paths Forward

· **The Spender / Saver Couple.** This is a common phenomenon and one that is fairly easy to address unless one partner wants to *spend everything* and the other wants to *save everything*. In that case a couples counselor who has skill in dealing with money issues is usually required. (Easy to find with a referral from your state psychological association or your financial planner.) However for most couples the tool of choice is that dreaded word - *budget*. There are many resources in your public library on building a budget but here are a few tips. Start by listing your monthly expenses. These are the things you must pay such as rent or mortgage, insurance, taxes, commuting / travel expenses, day care, work clothes / uniforms, agreed upon savings for long term goals and the like. Now look at your monthly income. If (hopefully) there is something left over, discuss and decide how much goes into a joint account for future needs and how much can go into separate "fun" accounts for each partner to be used at his/her discretion (or even better, used together on date nights or for vacations). If there is nothing left over (or if you're looking at a deficit) you must sharpen your pencils and find where things you *want* to purchase have crept onto your list of what you *must* purchase. This could include a fancy car, premium cable, designer clothes, the most recent electronic gadgets, frequent dinners out or other services /products that are realistically out of your financial reach. To reach financial solvency these items must be eliminated from your budget until the day comes when you can responsibly afford them.

· **Common Goals Are Essential.**Essential to establishing common goals for your household is on- going communication. No one is born smart about money and no one is born being able to read what is in another's mind (science fiction aside). Working things out together from reading, research, and frequent, open discussion has the twin benefits of establishing goals you both agree to work towards (yes, they require work) as well as improving the relationship itself. Common goals include buying a home, funding a child's education, securing one's retirement and these are often easy to reach agreement upon. But during just the last year I have heard some goals that couples have had a harder time sorting out. These include disagreements about one partner changing from a high salary/low enjoyment job to a high enjoyment / low salary job, a proposal to reallocate funds from a child's education fund to bring a retirement fund up to speed, an unexpected need to scale back expenses to accommodate a forced, early retirement, and choosing between using a bonus check for a kitchen rehab or a luxury cruise. In the end each of these situations worked out but not without a strong focus on just what it is the couple was trying to accomplish - together.

· **Does Money Mean Power?** Is your relationship a genuine partnership or one in which (to paraphrase George Orwell) "one is more equal than the other"? If the person who makes the most money in your household makes all or even most of the decisions then the problem isn't money; the problem is the relationship. Again, a skilled financial / couples counselor may be required. As indicated above, a household budget based on common goals can help in this regard. Often 'ours', 'mine' and 'yours accounts funded from the family budget can help one spouse feel less controlled because they don't have to check with the other over every little purchase. If it dawns on you that you have been throwing your financial weight around, clarify your feelings about the totality of what your partner brings to the household and share your appreciation of what he/she does that contributes to your common goals. If you can't do this honestly then either some goals need changing, a job needs changing or a trip to that counselor is indicated if you want your relationship to be a genuine partnership.

· **Dividing Your Assets With A Hammer.** The above phrase was how a very experienced C.P.A. once described divorce to me. It's widely reported that 50% of first marriages end in divorce though some suggest that number is really around 30%. Either way there is a heck of a lot of divorced folks out there. Money/financial concerns are among the most frequently mentioned areas of disagreement in marriage and, understandably, this only gets worse when couples are divorcing. Money issues and feelings of loss, sadness, anger or betrayal are a toxic brew. If you are in this situation hopefully you and your about-to-be former spouse are using a divorce mediator to take some of the pain and stress out of the process instead of someone goading you to use money as a weapon. As a divorced person sorting out financial arrangements there are some things you can do to assure you financial future. Identify and close all joint accounts especially credit cards where you and your spouse are "co-owners". Request your free credit reports from all three major agencies; examine your credit report and correct any errors you find because they will increase the cost of the new insurance policy, the new mortgage or the new car loan you may need in the near future. Prepare yourself emotionally and physically to live on less. Whatever the level of marital income and assets was, they are now spread over two households.

· **The Second Time Around.**U.S. census statistics indicate that 58% of divorced men and 41% of divorced women age 50 or older remarry. This raises a host of practical, financial, estate and sometimes business issues. In second (and third and...) marriages good counsel is essential. There are obvious practical issues such as whose house do we sell, where does that money go, whose house do we live in, who pays for what living expenses, how do we deal with my / your debt and so on. Divorce often leaves a bitter taste so separate accounts that could facilitate one's financial life may now be viewed as secretive, a lack of commitment, or distrust. How are children from previous marriages to be dealt with as to child support, education expenses or estate considerations? (If you should pre-decease your new spouse will s/he or your children or some combination inherit your assets?) If either (or both) of you have a business you need an agreement to specify ownership and succession plans unless you want to share all income and liabilities. A good counselor can help you identify the issues you need to address. A wise choice is one who collaborates with a CPA or CFP who can help you look at issues such as capital gains and potential changes in your income or tax status and an estate / business attorney who can help you update your estate plan and make any arrangements needed to protect your business interests. If you remarry you may want to consider a pre-nuptial agreement to cover these and other issues. If you choose not to remarry and live together (the number of unmarried partners over the age of 65 has increased 70% in the last 10 years) you will need a "living together agreement" which, like a pre-nup, can cover many but not all of these issues (e.g. health care proxy, durable power of attorney, etc) which is, again, why a good estate attorney is essential.

Some suggest that remarriage represents the victory of hope over experience. If you are remarrying I wish for you that it means experience has brought wisdom.

LifeMap is about raising those issues that can bring us either joy or pain and addressing them with optimism, knowledge and practicality.

Resources

Someone you know job hunting or thinking about it?

To order the best, concise, all-round job changing guide available. “Winning Job Interviews: Reduce Interview Anxiety, Outprepare the Other Candidates, Land the Job You Love” by Dr. Paul Powers, click the link below.

Stalled at work? Still struggling to find your true vocation?

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Have an issue or question you'd like Dr. Paul to address in a future edition? Send an email to the email address list below.

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Sincerely,

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