FPA Financial Planning Perspectives

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You May Love Each Other, But Should You Invest Together?

It's one of the most important questions a couple will face in their relationship but it so rarely gets asked until a relationship is well underway – should we pool or separate our money for investment?

The answer is as unique as the both of you. But there are some critical facts and some questions to consider as you develop a financial strategy for a lifetime.

Pooling can be a great idea after a marriage because the both of you are legally bound together, so why not bind your finances for potential maximum return? Many financial experts believe it's a good idea for the simplest of reasons: The bigger the pile of money you two can gather, the greater the potential for financial gain with the right advice.

But there's more to it than simply combining your assets. Pooling your investment dollars should produce not only shared decision-making, but shared awareness of everything going on with your finances for a lifetime. It's the kind of cooperation that will not only benefit you all the years of your marriage, but also provide a surviving spouse the knowledge to function if the other dies suddenly or is incapacitated.

It's a move that woman need to consider in particular – it's to their advantage to maximize the total investment pie because chances are they will be the lower-earning spouse, as they may go years without income if they stay home to raise children. And if the marriage breaks up – as roughly 40 percent of them do these days – she'll need extensive assets to prepare for a retirement that will be statistically longer than her husband's.

But how about a couple that wants to plan separately? The first question is: Why? There may be compelling reasons – for instance, one spouse has assets he or she wishes to protect from another spouse engaged in a high-risk business proposition. Others may have significant inherited family assets that need to be protected for heirs from potential loss in a divorce. And of course, this is the least attractive reason, but it happens: One spouse doesn't simply trust the other.

These questions and more are a good reason for a couple planning to marry to sit down with a trained financial expert like a Certified Financial Planner™ professional to go over their respective and combined goals for home ownership, retirement, kids' college savings and various other lifestyle goals. A visit to tax and relevant legal professionals makes sense before the wedding as well.

Things to consider:

What approach will get you to your goal faster? Young people starting out literally need to save every nickel to save for a first home. It makes sense to figure out how much you can jointly put aside and where to invest that money based on your risk tolerance.

How can your employer help? Obviously max out on your 401(k) and other retirement savings options – particularly if there's significant company matching involved, but check to see if your other benefits will do more for you and your spouse. See if joining on one or the other health plan might be a better value than going it alone on your respective plans. If you have a health savings account that your spouse hasn't, see how you can make that a part of your overall joint investment strategy. Also, don't forget employee discounts that might cut your overall household spending.

Let your competing investment styles…compete: There are plenty of studies on this, but they seem to hold steady: Men tend to take more investment risks, women seem to be risk-averse. One of the advantages to working with a trained financial expert is not only their ability to make solid investment suggestions for you, but to identify the differences in your investment approaches and find compromises that work best for the both of you.

Talk: Talk about your financial expectations and what goals you'd like to achieve. Talk about what you're afraid of. And most important, talk about your money history – your credit rating and score, any troubles with credit in the past, including bankruptcy. Oh, and if you survive these initial discussions, make a promise to talk about money once a month.

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