



## **Important details men and women should know about the family's finances**

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It never seems like we have enough time in our days to get everything done. Work, kids, laundry - the list of "have tos" just gets longer and longer. So how do most Americans cope? They divide and conquer. You take Johnny to soccer practice and I'll take Suzy to dance class. Although this system seems to make sense, it could be the worst decision you ever make when it comes to the family finances.

Managing your family's money and planning for your future requires the full attention of both spouses. Financial Planning is a very involved process that has many moving parts. Something as simple as what credit cards you use could make a significant impact on your financial future. As a result, both spouses must completely understand and agree on what their financial goals are and what is the best ways to achieve them.

Here are five fundamental questions you should review with each other on an annual basis:

### **1. How do you feel about risk?**

It is very common for one spouse to be more comfortable with investment risk than the other. This can lead to serious problems down the road. Therefore, it is important to make sure you are both on the same page when it comes to how you invest your money. The worse case scenario: one spouse invests the family's money in more risky investments. If the stock market turns south, it could cause a lot of stress that could have been easily avoided.

A simple solution is to have both spouses take a risk assessment profile. Once you know how each other feel about money and risk, you can work with a financial advisor that can help you design an investment strategy that meets both of your needs. This will help meet each partner's need to feel comfortable about how their money is being invested.

### **2. Can you "show me the money"?**

To steal a famous line, both spouses should know all the details surrounding their investments and insurance. It only takes a few moments to identify all of the family's accounts including checking, savings, retirement, investments, on-line trading, IRAs, etc?

Unfortunately, bad things happen to good people everyday. What would happen if the spouse that was managing all of the family's financial affairs was seriously hurt or worse yet died? Would the other spouse know what to do? In most cases, they don't. The

result is confusion, stress, and a feeling of helplessness during the most difficult time in your life. Tragically, this can lead to bad decisions that could hurt the family even more.

Fortunately, today's technology enables you to receive most statements on-line. In addition, you could have a central place in your home where you keep all essential documents like wills and insurance policies. This way, in difficult times you can focus all of your efforts on caring for your family.

### **3. Do you have a budget?**

There's an old saying, "it's not what you make, it's what you spend." The great thing about old sayings is that they're almost always right. Financial fortunes are made and broken based on whether or not people can live within their means. The tricky part of putting together a budget is catching all the discretionary spending. Do you account for the Starbucks coffee on the way to work and the occasion lunch out with friends? Most people do a budget and can't believe how much money they should have left over when they add up every thing up. The reality is they often times have very little left over every month.

One simple solution is to control your discretionary spending by using the envelope system. It starts by agreeing on how much money you want to spend on a monthly basis on variable expenses such as food, entertainment, clothing, and gifts. For example, let's say you agree you will budget \$700/month on food. At the beginning of the month, put \$700 in an envelope marked food. Every time you spend any money on food, it must come from the envelope. If you run out of money before the end of the month, get creative but stay true to your budget. This will ensure you can get the expenses under control and start working towards your financial goals.

### **4. What is the cost of using credit cards?**

Credit card debt is one of the most common downfalls of any household. It doesn't take long for your credit card interest rates to grow to staggering heights. Before you realize what happened, all the money you are paying each month could be going towards interest and penalties with no end in sight. Despite some efforts by Congress to regulate this industry, the truth is credit card companies very rarely have your best interests in mind.

This problem can be a little harder to solve, especially if you are already under water in credit card debt. There are Government and private organizations that can help you work through these debt problems. Just check with the better business bureau before hiring a company to help you.

To make sure this doesn't happen to you, you could cut up your cards and begin using only one credit card. The goal is pay off your entire balance every month. If you are unable to pay off your balance, you are probably living beyond your budget. Despite what credit rating agencies may tell you, there is no real upside to credit card debt. The

sooner you stop paying interest on your credit cards, the sooner you can invest in your future.

### **5. Do you have a plan?**

All of the questions above lead to the most important point, do you both agree on what your long term goals are? More importantly, do you have a plan on how to achieve your goals and dreams? At the risk of adding in another old saying, “people don’t plan to fail, they fail to plan.” Sorry, we couldn’t resist.

A comprehensive financial plan can build a roadmap for success. You are on a fun and exciting journey. There will be up and downs, but in the end you can achieve more than you ever dreamed if you have a well structured plan and review your progress every year.

This is where a financial advisor can be very valuable. They can help you design a customized plan that meets your specific goals. They can also give you annual updates to ensure you are still on track. Having a plan allows you to take control of your future so it isn’t left up to chance and good luck.

One of the reasons your marriage works is that you each bring your own unique perspectives and talents. Working together can make for a stronger family and a great foundation for financial success. Take one day a year to get away and go over your family finances. You’ll feel better about your finances and get a little “us” time which never hurts.

There are more than two dozen free calculators at <http://ufinancialgroup.com/calculators> to help people determine their net worth, make realistic savings goals, and plan for their future.

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CRN201109-125556