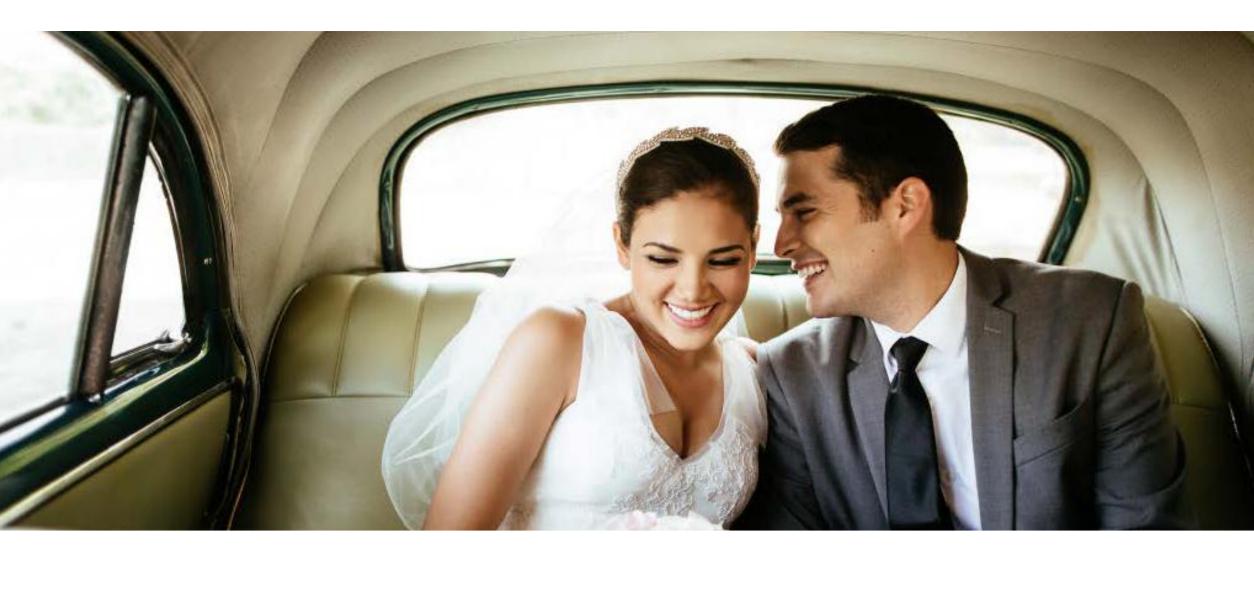
## Love & Money: A Guide to Combining Finances

How to tackle everything from joint bank accounts to budgeting to taxes.

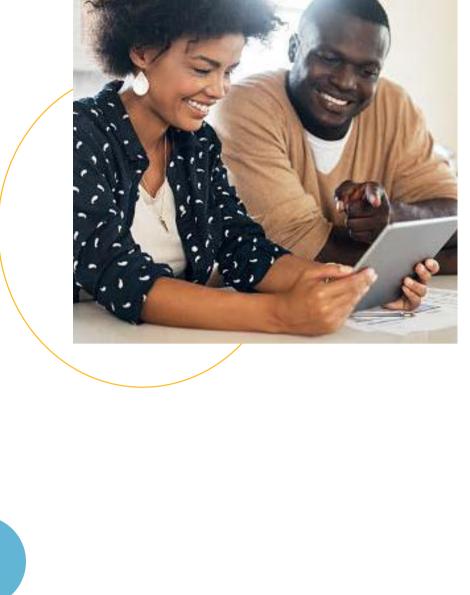


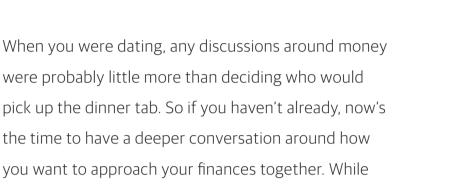
energy and positivity you feel from your family and friends as you're walking down the aisle. Noticeably absent from this list: financial planning. While not exactly romantic, it's key to remember that getting married isn't just about combining your personal

There are so many things that are exciting about getting

married: the wedding planning, the honeymooning, the

lives, it's also about combining finances — as well as discussing the goals you have as a couple, whether that's going on a dream anniversary trip or retiring early. And truth is, those are things you need to talk about whether you're still shopping for rings or celebrating an anniversary (or 10). So where to begin? Use our money and marriage guide to finances as a blueprint for what to start tackling together.





SET ASIDE TIME TO HAVE 'THE MONEY TALK'

divorce. We know that's a bit of a downer, but knowing you want your partnership to work can provide motivation to have the money talk. Before you get into the nitty gritty of which bank accounts you'll use and how much you can spend each month, it's important to get to know each other's money "stories." By that, we mean talking openly about how your past has influenced your views on money. For example, maybe your parents were so frugal that it rubbed off on you as an adult — or perhaps it had the opposite effect, and made you spend more freely once you were out on your own.

that might seem daunting, consider this: One well-

arguments about money were the top predictor of

known Kansas State University study found that

You should also take stock of where each of you stand with your finances. How do credit scores look? How much do you make versus spend? Do you save for

retirement? Do you have student loans you're trying to

pay off? Do you help cover costs for a family member?

What's your earliest memory

surrounding money?

to work toward together?

To get the conversation started on the right foot, start

from the "we" point of view — as in "We want to buy a

house one day, so we should save for that now," versus,

house I've always wanted." That reminds you and your

"I think you need to spend less so we can get the

spouse that you're on the same team.

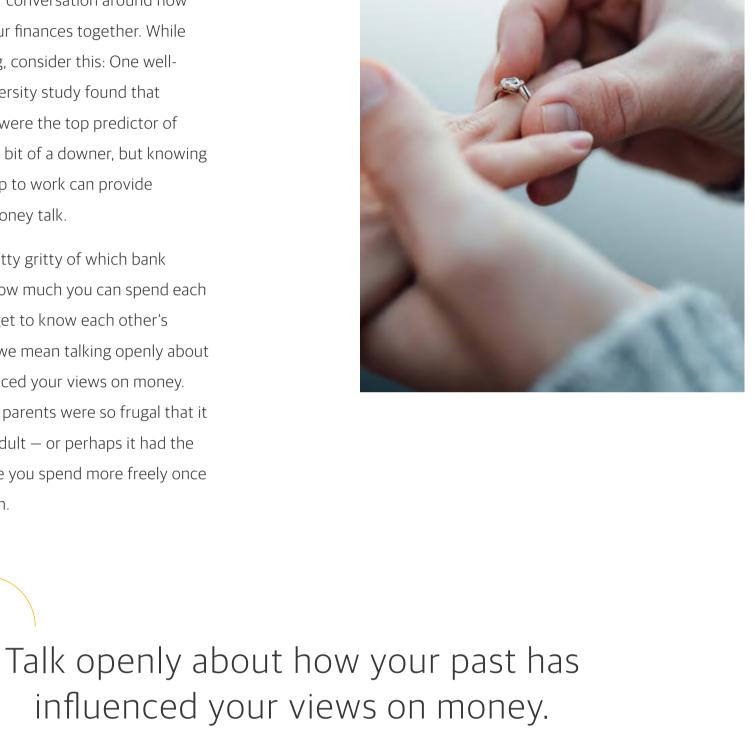
SHORT TERM (1-4 YEARS)

Start an emergency fund

Pay off credit card balances

Save for an annual vacation

O Get new furniture



Rarely does a person reach adulthood without making

some sort of financial misstep, so don't beat yourself up

the open. Getting married means factors like poor credit

if there's a blip you're not proud of. But do get it out in

scores or having lots of debt can affect both of you.

# 5 MONEY TALK STARTERS

money?

Do you consider yourself a How did your family treat spender or a saver?

your debt the only thing that matters right now? Do

you want to save for a house? Start a college fund for

when baby makes three? Send one of you to grad

school? What about retirement? There is no right or

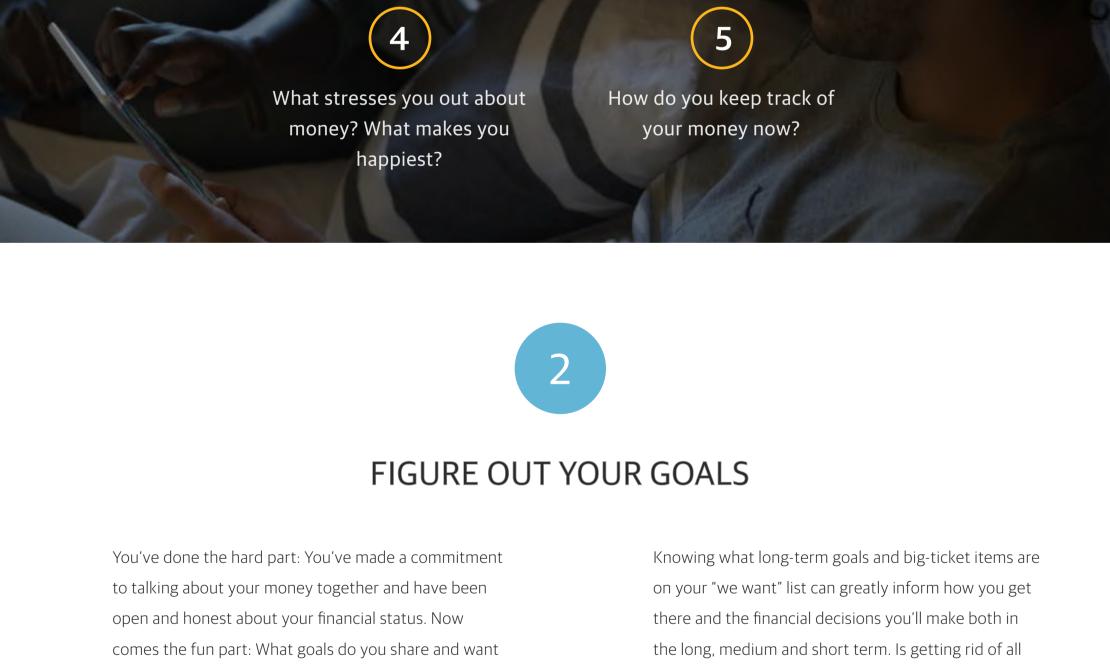
wrong list. What's important is that you're striving to

LONG TERM (10-PLUS YEARS)

Start your own business

• Retire to a sunnier state

achieve them together.



## Pay for grad school Start a college fund

Save for a home down payment

WHAT ARE YOUR GOALS OVER TIME?

MEDIUM TERM (5-10 YEARS)

Pay off student loans

O Replace your old car

# DECIDE HOW TO COMBINE YOUR BANK ACCOUNTS

- got hitched. But today, couples are using more creative ways to share their money and financial responsibilities. There's no one-size-fits-all approach. Here are just a few different options.
  - ONE JOINT ACCOUNT The classic and simplest approach, you deposit both your paychecks into one joint account and pay all your bills from it.

tackle on your own.

differences in their incomes.

**COMPLETELY SEPARATE ACCOUNTS** 

and what you naturally lean toward.

ADD UP ALL YOUR FIXED COSTS

ACCOUNT FOR IRREGULAR COSTS

**Fixed Costs** 

cover them when the time comes.

over budget.

Saying "I do" didn't just change your marital status — it

also changed your status in the eyes of the IRS. Even if

you got married on December 31, you're still

separately moving forward.

situation.

considered married for that tax year and must file

taxes as either married filing jointly or married filing

In the majority of cases, you'll want to go with married

filing jointly because the IRS extends more tax breaks

to couples who file jointly — and limits the ability to

take some credits and deductions for those who file

separately. There are a few exceptions. If one of you

deductions that are income-based, it \*might\* make

sense to file separately. To be sure, it's important to

owes back taxes to the IRS or itemizes a lot of

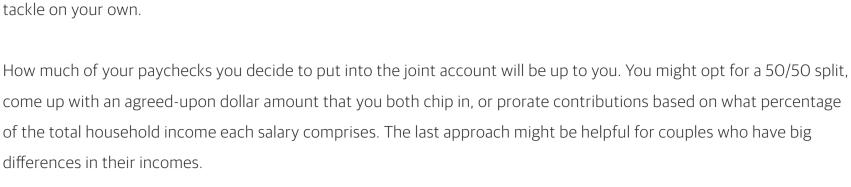
meet with a tax advisor and talk through your

Monthly

Take-Home

Pay

- The traditional assumption was that newlyweds would combine all their money into one joint checking account once they
  - JOINT AND SEPARATE ACCOUNTS Maybe you want to share \*and\* set aside some funds for yourself. You could keep one joint account to cover the shared



## work if you decide to divvy up the bills, as in "you pay for the cable bill while I cover the heating bill," or if you decide to dedicate one person's income to covering monthly expenses while the other's is dedicated to saving for future goals or big-ticket items.

While you're discussing how to combine accounts, it may also be a good time to talk about what roles you may want to

take when it comes to the finances. For example, maybe you're good at keeping track of monthly costs and making sure

the bills are paid on time, while your better half likes to invest or keep tabs on long-term goals. Play to your strengths

If you'd like to take a totally independent approach, you could simply maintain separate checking accounts. This might

household bills and separate solo accounts for anything from your personal mini splurges to certain bills you'd rather

MAKE A BUDGET TOGETHER

Few things sound more daunting than making a budget. But in reality, if you've already discussed how much you make, how

much you tend to spend and your joint goals, then you're most of the way there. Now you just have to drill down to the details

that will help you enjoy life now while also saving for your future. Here are a few simple steps to setting up a monthly budget.

TOTAL YOUR TAKE-HOME PAY This is the amount of money you both bring home after taxes and any other payroll deductions. It can also include any income you make from a side gig (minus any taxes you'd have to pay on that). This is the money you're actually working with for your budget.

By fixed, we mean costs that occur regularly and don't vary much from month to month. These can include your

mortgage or rent, car payments, utilities, child care, monthly insurance premiums, minimum credit card payments and

the like. Also include the "nice-to-have" expenses that are recurring, like your gym membership or Netflix subscription.

This includes what you're putting toward your savings each month and how much you throw toward debt beyond the

minimum. Money you sock away for a vacation, extra student loan payments and moving cash into an emergency fund

What do you have to pay that isn't monthly? Quarterly taxes, car registration fees, annual insurance premiums and

incorporating them into your budget now can help keep you out of the red when they pop up. Add up all those irregular

costs and divide by 12 — this is the amount you should set aside each month into a separate savings account to help

the amount you have left to spend on all the things you pay for that tend to vary, like food, shopping, date nights and

Irregular

Savings

Contribution

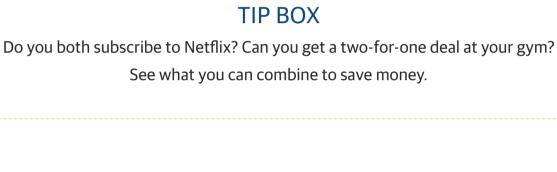
**MONTHLY** 

**FLEX** 

**SPENDING** 

the like. If you divide your monthly flex spending by 4.3, that's how much you can spend each week without going

wedding gifts are all costs you pay semi-regularly, but don't necessarily think about until they roll around. So



ADD UP YOUR MONTHLY FINANCIAL GOAL CONTRIBUTIONS

## all count, too. Your 401(k) contributions aren't factored here because the baseline for your budget is your take-home pay, but money that comes out of your net take-home pay, like what you contribute to an IRA, would count.

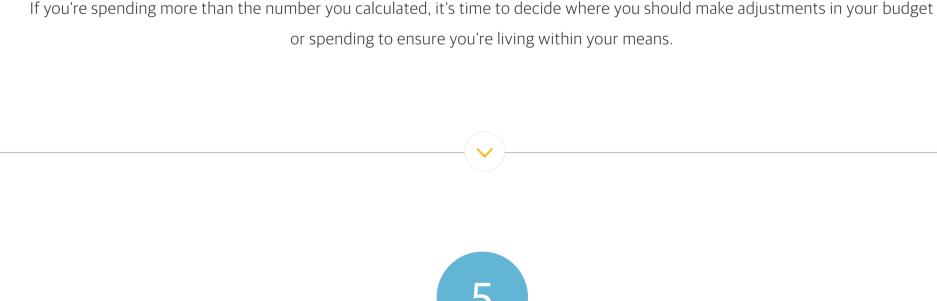
FIGURE OUT YOUR FLEX SPENDING Now, it's time for some simple math. From your monthly take-home pay, subtract your fixed costs, your goal contributions and the amount you're putting toward irregular costs. What's left is your monthly flex spending. This is

Goals

Contributions

Now that you know your flex-spending number, how does it compare with what you spend now on those variable costs?

FIGURE OUT YOUR TAXES



Should you take the standard deduction, Do you need to change your Do you need to submit any name or will you itemize? You can only go with withholdings? When you get married, changes to the Social Security one or the other, even if you're married you have to submit a new W-4 to your Administration? The name on a person's filing separately. tax form must match what's on file with employer. Because you might be in a

new tax bracket, you may want to

change your withholdings. The IRS has a

withholding calculator than can help

you decide.

These considerations just scratch the surface, so again, it's important to get that meeting with your tax advisor on the calendar.

Keep in mind, too, that if you do file a joint return, you're both responsible for every figure you report in it, even if you you're not

the one who prepared it. So it's important you're on the same page when it comes to your tax strategy.

**DID YOU KNOW** 

Even if you got married on December 31, you're still considered married for that tax year.

HERE ARE SOME OTHER THINGS YOU'LL WANT TO DISCUSS WHEN IT COMES TO TAXES:



**REASSESS YOUR INSURANCE NEEDS** 

Now that you're a family of (at least) two, it's a good time to reassess your insurance needs.

Here are the types of insurance it would be good to review together.

**HEALTH INSURANCE** Once you're married, you get a special enrollment period during which you can change up your health insurance. So compare factors like premiums, deductibles, coinsurance and

copayments to see if it makes sense for one of

you to move to the other's plan or to maintain

separate plans. Also, note that if you have a

health savings account, your contribution limit

will change if you go from making individual

contributions to a family contribution.

**TERM** 

Term life insurance provides coverage for a

certain amount of time, typically somewhere

between 10 and 30 years. If you pass away

within your coverage period, your beneficiary

will receive a payout. If you don't, once the

assets, so what would happen if you were to lose it

because you couldn't work? Disability insurance can

become sick or injured and can't work. Short-term

purchase additional coverage on your own.

help replace a portion of your income in the event you

disability can also help make up for some income while

you're on maternity leave. Your employers may provide

some coverage, but if it's not enough you might want to

policy ends, so does your coverage. **DISABILITY INSURANCE** Your ability to earn a paycheck is one of your biggest

LIFE INSURANCE Getting hitched means someone else is depending on you now. What would happen to your spouse if you were to pass away? Does your spouse work? What sorts of costs, both now and in the future, would you need to cover? These answers will help you decide how much coverage you actually need. TYPES OF LIFE INSURANCE

**PERMANENT** 

Provides coverage that lasts for your entire

life. It also has a cash value component that

accumulates over time you can access while

you're still alive.

employees will be disabled for

three months or more at some

point during their career. I

the SSA, otherwise you could see a delay

in getting refunds. Also make sure to

update your address with the IRS

through Form 8822.

**UPDATE IMPORTANT DOCUMENTS** ADDING YOUR SPOUSE TO ANY TITLES OR DEEDS

The last thing you probably want to do after getting back from your honeymoon is deal with paperwork. But think of it this way: Once you get these important tasks out of the way, you likely won't have to worry about them for a while — and you're reducing your future stress. Here are some of the big things to check off your list. Does it make sense to add your spouse's name to anything you own, such as a home or car? This can help ensure that both of you have legal ownership and decision-making authority over shared property. **UPDATING BENEFICIARY FORMS** If you have existing life insurance policies and want your spouse to receive the death benefit, make sure you update your beneficiaries right away. Likewise with updating payable-on-death or transfer-on-death designations for your bank accounts, investment

accounts and retirement accounts. Beneficiary forms trump what's written in a last will and testament, so it's important to keep these updated to ensure your assets go to whom you want.



you can't.

Both a last will and testament and a trust spell out how Lastly, don't be afraid to call in for backup. There are many complex variables to consider and many of the decisions you want to divide up your assets after your death and how your minor children would be cared for. One major you make when combining your lives will have a long-term difference between the two: A will would have to go impact. Choosing the right tax, financial and estateplanning advisors for your situation can help you if you're

And once you've got your first big money conversation under your belt as a couple, set up a regularly scheduled time when you can check in on your finances. After all, planning a future together isn't a one-time event.

<sup>1</sup> U.S. Social Security Administration Fact Sheet, February 2013. This guide is not intended as legal or tax advice. Northwestern Mutual and its financial representatives do not give legal or tax advice. Taxpayers should seek advice regarding their particular circumstances from an independent legal, accounting or tax adviser. Northwestern Mutual is the marketing name for The Northwestern Mutual Life Insurance Company and its subsidiaries. Life and disability insurance, annuities, and life insurance with long-term care benefits are issued by The

through probate, while a trust is handled privately.

unsure of what to do.

A LAST WILL AND TESTAMENT OR TRUST

If this sounds like you're inching into estate planning territory, don't panic: You are, and that's a good thing. Estate planning helps make sure that your family, property and other assets you own are protected and handled exactly the way you'd want them to be if

something were to happen to you.

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