WOMEN & WEALTH

Practical Suggestions for Co-Managing Finances with a Spouse

Division of responsibilities can help keep managing a household from becoming overwhelming. But be sure however you draw the lines, you aren't removed from family finances.

"Every spouse should know the basics," says Anita Knotts, Senior Vice President at Calamos Wealth Management. "How much do you have in investable assets? How much in retirement assets? Do you have a will? While even more in-depth knowledge is helpful, this type of high-level awareness is absolutely essential."

In past decades, it was more common for one spouse to focus time and energies primarily on the home front and the other spouse to serve as the primary financial earner and decision-maker. That's much less common now—which is a welcome trend, because while designating responsibility to one person can make sense for many everyday obligations, financial matters are different. If you aren't an active participant in your family's finances, you are putting yourself at risk.

For example, unforeseen events such as sudden unemployment, divorce, or death can leave stay-at-home spouses—or those who work outside the home but are less involved financially—vulnerable.

"I worked with a woman who has become a strong advocate for avoiding the struggle she experienced following her husband's untimely death," says Knotts. "Her first in-depth exposure to family finances came when her husband, who was terminally ill, insisted on a kitchen-table meeting with us so his wife would know where to turn for help. She worked hard to grasp the knowledge she needed to care for herself and her family. She now realizes how much she could have benefited by taking an active role earlier on in the family's financial decisions."

Here are several financial topics you should always be aware of—and another set of topics on which you should act now, if you haven't already.

Awareness

1. Know your family's financial position and long-term retirement plan.

- This might include being aware of your spouse's salary, bonuses, and retirement strategy. Attending meetings with financial advisors can be a great way to keep you "in-the-know" on your family's financial status and future, ensuring you are properly equipped for any unanticipated event. Many wealth advisors insist on both spouses attending all consultations.

2. Know how assets are titled.

- Ensure that important assets such as real estate, savings accounts, vehicles, and other personal property are appropriately named and/or titled so that with any unplanned separation or spousal death, you have claim to your assets. Marital asset laws differ by state, so stay up to date on relevant policies such as those relating to community property. Most states follow a "common law" system of property ownership, in which the name on the deed, registration document, or title paper signifies ownership. Nine states (Arizona, California, Idaho, Louisiana, Nevada, New Mexico, Texas, Washington, and Wisconsin) follow a "community property law" system, in which all money earned by either spouse during marriage, property bought with those earnings, and debts incurred belong to the couple.

In these states, death of spouse means that half of community property transfers to the surviving partner unless an established will directs otherwise.

3. Know logins and passwords for all relevant online accounts.

- In an emergency, you may need to quickly gain access to these to handle financial matters. Digital data can also be an important consideration in the event of unforeseen death or separation; an overlooked but essential asset, digital information can possess both monetary and sentimental value and should be addressed in a will or other document.

Action

4. Create an emergency fund.

- In the case of a sudden crisis or expense, together with your spouse, create an emergency fund that can help cover the immediate financial fallout. This could mean unexpected unemployment, car maintenance, or health issues. In many of these instances, an emergency fund provides a buffer against the need for high-interest loans or credit card use. It's recommended to build up enough money to cover three to six months' worth of living expenses. You may start small, but it's still a start – even a modest amount saved may prove useful in a crunch.

5. Prepare a will (and consider a trust).

- Without a will, state law will determine who gets claim to your assets, and this may not always be who you have in mind. A will should establish three things at minimum: an executor to administer your will after you die, a guardian if you have minor children, and your desired distribution of assets. If you wish to avoid certain taxes and probate that come with a will, consider forming a trust to distribute your assets. For more information on trusts, see the installment in our Family Matters series entitled: Trust & Estates.

6. Be accountable for bill paying, creating & executing budgets.

- Sharing equal ownership of bill paying and budgeting with your spouse keeps you informed on the amount of money going out vs. coming in each month. Maintaining a budget helps you focus on and take steps toward your long-term goals while putting aside money for retirement and emergencies.

7. Have credit cards and accounts in your name to establish credit.

- Opening a credit card with the assistance of a spouse as a co-signer or being added as an authorized user can help you build enough credit to open a card under your own name. A high credit score, which is measured on an individual basis, means that you can more successfully apply for loans, both on your own and together with your spouse. Monitoring your credit score can ensure that your credit-building efforts are working properly.

8. Take advantage of a spousal IRA.

- Spousal IRAs allow employed spouses to contribute to an IRA on behalf of their partner at home. To be eligible, a couple must file a joint income-tax return and hold the legal status "married." Utilizing a spousal IRA means that you have more money set aside for retirement, as well as a long-term safety net should a separation occur. A "non-working" spouse is also entitled to a Social Security benefit of up to 50 percent of the earner's benefit.

9. Ensure both spouses have life insurance.

- Many insurance companies recognize that spouses without traditional employment still provide substantial financial value, and they will often cover spouses who work from the home even if they are not otherwise traditionally employed. It's essential to maintain two life insurance policies, as insurance can help ease already painful transitions in cases of death as well as augment future college savings plans for children.

Conclusion

Financial well-being is essential, no matter what role you inhabit in a partnership. A good beginning on the road to financial security is a meeting with your financial advisor. He or she can help create a plan to get both spouses up to speed and on the path to full preparedness.

Calamos Wealth Management's "Women & Wealth" initiative *was founded by our women advisors to educate and empower women through financial independence. Our women (and men) wealth consultants offer a holistic approach to wealth management, assessing a client's unique challenges and retirement goals with consideration of their personal values and investment principles. Calamos Wealth Management distinguishes itself from other firms by its entrepreneurial-minded culture, which it has established and cultivated since its inauguration.*

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