THE USAA EDUCATIONAL FOUNDATION®

Good Information for Good Decisions.®

FAMILY

MARRIAGE AND MONEY

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OUR MISSION

The mission of The USAA Educational Foundation is to help consumers make informed decisions by providing information on financial management, safety concerns and significant life events.

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If you are marrying for the first time or remarrying, developing your financial plan for the future can be exciting when done together. Knowing your financial expectations and sharing them with your spouse is an important first step.

Talk about your finances.

- Couples should observe each other's money habits and talk honestly and openly about money attitudes and expectations.
- Each individual should understand how their spouse handles money. Ask your spouse about their financial upbringing which may have been influenced by their parents' attitudes about money.
- Evaluate spending priorities. Agree where your money will go. Develop an equitable plan that takes both individual's priorities into account.
- Discuss the type of lifestyle you would like to lead and your financial goals:
  - Buying a home — discuss down payment and loan options.
  - Preparing for children — when to start a college savings fund.
  - Investing for retirement — talk about how comfortable you are assuming risk with your investments.
  - Paying on existing debt and opening new credit accounts.
  - Establishing ground rules for the purchase of big-ticket items including the amount and timing.
- Do not keep secrets.
- Assess your individual financial skills and decide how you will divide the money management responsibilities, such as paying bills, preparing federal income tax returns and making investment decisions.

Compromise — learn how to make joint decisions.

- As you talk with each other, you will begin to understand why your views may differ from your spouse's views.
  - Consider the deeper, emotional issues that direct behavior without judging or criticizing.
  - This financial understanding of each other is the basis for compromises you will need to make about money management.
- Establish financial goals. Determine where you want to be in 10, 20 or 30 years.
  - Consult your attorney, financial planning professional, tax accountant or other professionals when you make legal and financial decisions.
  - Specific state laws and your circumstances will determine how you use the information contained in this publication.

Things To Consider

GOAL SETTING	MONEY MANAGEMENT
What are your financial goals? What are your dreams and goals for retirement? What assets do you bring to the marriage? How do you feel about financial responsibilities to aging parents, ex-spouses or children from a previous relationship, if any? What financial expectations and beliefs do you have about raising a child? Who will care for your children if you were to die and how will that financial situation be handled? How will you make decisions about life insurance and wills? Will you designate each other as beneficiary?	What are your spending habits? Are you frugal, a spender or somewhere in between? Do you prefer to have joint accounts or separate accounts? If you opt for joint accounts, who will manage the checking account and pay expenses? If you opt for separate accounts, who will pay household and other expenses? If only one of you works outside the home, how will you make financial decisions? If both of you work outside the home, how will you make financial decisions? How will you make a decision if one of you gets a job offer that requires relocation? Do you need to keep some part of your financial life separate? Can you both agree to that? Why?
CREDIT AND DEBT	**SAVING AND INVESTING**
What are your debts? Who will be responsible for those debts? What is your credit score? How will you decide about new purchases? Are you willing to share credit cards? What kinds of charges should be made on credit cards you share?	What is your income? Do you save? How much? Do you invest? How much? Who will make investment decisions? What if you disagree? If both of you own a home, how will you decide whether to sell or lease the second home?

MERGING FINANCES IN MARRIAGE

Develop a written budget — be sure to cover your needs and some of your wants.
A budget helps you focus on important financial goals. To create your own budget, include every dollar you spend for a month and monitor what you purchase.

- Gather pay and income statements, check registers, bank statements, credit card statements, bills and receipts.
- Use the "Budget Work Sheet" to record your monthly spending.
- Subtract your monthly expenses from your income to determine your net cash flow.
- Monitor your spending. Keep written records of your purchases and payments. Record the amounts you actually spent for the month.
- Review your plan monthly. Compare what you actually spent to the amounts you planned to spend. How well did you do for the month? Did you have extra money (positive net cash flow), or did you borrow money by using a credit card? Reduce or eliminate expenses as needed.
- Adjust your plan. Modify expenses to reach your financial goals.

Agree upon your money management strategies.

- Decide on the use of joint or separate bank accounts.
  - A joint account can be used for mortgage or rent, utilities, groceries and common bills.
  - Each individual can have a discretionary account for personal spending.
- Work out a plan for payment of existing debt. Do not combine your debt. Keep existing credit card and loan accounts in the original holder's name.
- Allocate income to pay monthly bills: mortgage or rent, utilities and insurance.
- Establish an emergency fund. Save enough money to cover at least 3 to 6 months of basic living expenses.
- Include provisions for automatic saving and investing.
- Consider using electronic bill pay.
- Annually calculate your net worth, then revise your financial plan to meet your goals.

Update financial accounts and records.

- When merging finances, disclose all financial matters to your spouse.
- Find and reduce duplications in employee benefits, insurance policies and financial accounts.
  - Compare each employer's policies about matching 401(k) contributions. If one individual's employer matches at a higher rate, you may want to consider fully funding that individual's 401(k) up to the matching percent first.
  - Review your insurance policies coverage limits on combined personal property and cancel duplicate policies.
  - If both of you bank at the same institution, make sure your various accounts — individual and joint — are connected at the bank or credit union.
  - Check for and cancel duplicate subscriptions, memberships and services.
- Update beneficiaries on insurance policies, company pension plans and retirement accounts.
- Evaluate existing saving, investing and federal income tax arrangements.
  - Establish an account for holding emergency funds.
  - Determine level of contribution to federal income tax-advantaged retirement accounts such as private employer 401(k), military Thrift Savings Plan (TSP), traditional individual retirement account (IRA) or Roth IRA.
  - Calculate appropriate withholding amount on federal and state income taxes.
  - Notify the Social Security Administration (SSA) of your marriage to ensure eligibility for your spouse's benefits.

Establish a plan for regular saving and investing.

- When you decide to get married, begin saving. Pay yourself first. Financial planning professionals recommend saving or investing at least 10 percent to 15 percent of your monthly net income.
- When you get a salary increase, contribute more to your employer-sponsored retirement plan and IRA accounts (not to exceed IRS guidelines).
- Make automatic deductions from your pay into a savings or investment account, or through transfers from your checking account into a savings or investment account.

Decide how you want to hold title to property you own together.

- Depending on applicable state law, property that the two of you own together may be titled in one of several ways:
  - **Tenants in common** each own a separate piece of the property rights, although not necessarily an equal share. Each individual generally has the right to sell, give away during their life, or at death through a will, their own part of the property without affecting the other tenant's ownership rights to the property. There is no right of survivorship that transfers the decedent's interest to the other co-owner.
  - **Joint tenants with a right of survivorship** each own the entire property, not just a part of it. If one joint tenant dies, the surviving joint tenant automatically receives the deceased tenant's interest in the property without being subject to probate. Joint tenants must generally both consent to the sale of real property or to any loans made against it.
  - **Tenants by entirety** is a form of co-ownership that applies only to legally married couples who own real estate. Neither tenant can transfer property while both are alive without the other's permission. When one tenant dies, however, the surviving tenant automatically receives the deceased tenant's ownership rights. Not all states recognize this form of ownership.
- Because of legal consequences, consult an attorney for advice about the ownership arrangement for your assets that is right for you and your spouse.

Discuss financial matters periodically.

- Agree upon a formal time, perhaps weekly or monthly, to go over financial matters.
  - Review cash flow and discuss budget adjustments.
  - Evaluate progress you have made in achieving your financial goals.
  - Establish new goals based on recent life events.
- Review your credit report at least once each year. Your spouse's credit score will affect your ability to get joint credit. Consider a review during federal income tax filing time when all your financial documents are readily available.
- Work as a team.

Use copies of this work sheet to track your spending for several months.

BUDGET WORK SHEET

Skip items that do not apply to you.

Income For The Month Of:	**AMOUNT**	
Monthly gross income (total income before deductions)	$	
Other income (interest, etc.)		
Total Monthly Gross Income	=$	
Deductions		
FITW — Federal Income Tax Withholding (if applicable)	$	
SITW — State Income Tax Withholding (if applicable)		
FICA — Social Security		
FICA — Medicare		
Other deductions (for example, Flexible Spending Account)		
Total Deductions	=$	
Total Monthly Net Income (total monthly gross income minus total deductions)	**=$**	
EXPENSES	**AMOUNT PLANNED**	**ACTUAL EXPENSES**
Charitable Giving		
Place of worship	$	$
Other		
Savings/Investments (target at least 10%–15% of monthly net income)		
Emergency fund	$	$
Retirement accounts (IRA, 401(k), etc.)		
Other		
Home/Utilities		
Food	$	$
Rent/Mortgage payment		
Property taxes (1/12 of total annual expense)		
Utilities		
Home maintenance		
Furniture		
Phone/Cell phone		
Internet service provider (ISP)		
Debt		
Credit cards	$	$
Loans		

EXPENSES *CONTINUED*	AMOUNT PLANNED	ACTUAL EXPENSES
Insurance		
Auto	$	$
Property (renters, homeowners)		
Health		
Life		
Long-term care		
Disability		
Education		
Tuition	$	$
Room/Board/Travel		
Books/School supplies/Uniforms		
Transportation		
Vehicle payment	$	$
Gasoline/Parking/Tolls/Public transportation		
Vehicle maintenance		
Registration/License fees (1/12 of total annual expense)		
Personal		
Clothing	$	$
Laundry/Dry cleaning		
Grooming (hair care, toiletries, etc.)		
Child care expenses (baby sitters, child care center)		
Recreation/Entertainment		
Vacation(s) (1/12 of total annual expense)	$	$
Entertainment/Dining out		
Hobbies (for example, golf or tennis equipment and fees)		
Club fees/Organization dues		
Cable/Satellite television		
Total Monthly Expenses	**=$**	**=$**
CALCULATE MONTHLY CASH FLOW		
Total Monthly Net Income	**$**	**$**
Less Total Monthly Expenses	**–$**	**–$**
Net Cash Flow (Deficit)*	**=$**	**=$**

**If your net cash flow is positive, you can save more for emergencies or other financial goals. If negative, you will have to cut expenses or increase income (by taking a second job, for example) to reduce or eliminate debt.*

Estate planning is the process used to arrange for the transfer of your property to your heirs and to other beneficiaries in a way that will achieve your personal objectives and minimize the associated costs and estate, probate and inheritance taxes. Like the other areas of financial planning, estate planning is individualized and goal oriented.

On the financial side, a good estate plan coordinates what will happen with your home, your investments, your business, your life insurance, your employee benefits (such as a pension plan) and other property after you die.

Financial planning professionals recommend you use an attorney with estate planning knowledge and experience to prepare the legal documents required for your specific needs. Legal expenses for estate planning vary. Review all elements of your estate plan at least annually and whenever:

- Your family circumstances change significantly, such as marriage or divorce, the birth or adoption of a child, a job promotion or unemployment, the purchase of a home or other real estate, relocation or the death of a spouse or heir.
- Your assets change considerably.
- Estate tax laws are revised.

Your Will

A will is a necessary part of good financial management. If you do not have a will, a state court finalizes your affairs upon your death and charges your estate for the expenses. Your remaining assets are divided among your relatives according to state law. If you are unmarried and have no blood relatives, the state may take your property. Your will is an important legal document in which you specify the following:

- Who receives your property when you die.
- A guardian for your minor children.
- An executor and successor to handle your affairs when it is time to probate your will.

Powers Of Attorney

A power of attorney allows you to give another individual the legal authority to act on your behalf for a purpose you designate, such as paying your bills, managing your personal affairs or handling your finances.

AUTHORIZE OTHERS TO ACT ON YOUR BEHALF	
Durable Power Of Attorney For Financial Transactions	• Remains in effect even if you become unable to manage your personal and financial affairs. • Can be revoked when you wish, as long as you remain mentally competent. • Consider executing a new durable power of attorney every 3 to 5 years to confirm your intention. • Send a copy to your financial institutions.
Health Care Directive, Living Will Or Directive To Physicians	• Designates medical procedures you want taken if you become too ill to state your preferences. • Allows you to specify desired types of treatment, such as no cardiac resuscitation but maximum pain relief. • You designate when your instructions apply, such as when your diagnosis is a terminal condition. • Consult with your physician to determine your options. • Leave a copy of your living will with your physician. • New medical discoveries could alter your decisions. Review your options periodically and revise your health care directive accordingly.
Durable Health Care Power Of Attorney Or Health Care Proxy	• Allows you to appoint someone to make health care decisions on your behalf should you become incapacitated. • Ask an attorney specializing in the field to prepare it according to your state's laws. • Verify the health care power of attorney is compliant with the Health Insurance Portability and Accountability Act (HIPAA).
Unless it is a durable power of attorney, a general power of attorney expires if you become incapacitated.	

Health Insurance

Without health insurance, an accident or illness could quickly deplete your savings, limit your access to care and result in long-term debt. It is one of the most important ways you can financially protect yourself and your family. Without health insurance you are less likely to seek preventive care or timely diagnosis of an illness. If your employer offers subsidized group health insurance coverage as one of its benefits, taking that coverage is generally a better choice financially than buying a private medical insurance policy. If private health insurance is your only choice, you will need to include it in your budget.

Disability Insurance

If an illness or injury prevents you from working, disability insurance may provide you with an income. Many employers provide disability coverage at little or no cost to employees. However, the coverage might not replace all of your income, so you may want to consider additional coverage to fill the gap. You will pay federal income tax on some or all of the benefits if your employer pays for the plan. The coverage ends when employment is terminated.

Life Insurance

When you are single and have no dependents, life insurance may not be a necessity, unless you have significant debt. When you marry and someone depends on you and your income, life insurance is an important consideration. Life insurance can be used to pay debts, cover future expenses and provide for your survivors. Talk to a financial planning professional about what type of life insurance policy is best for you.

Long-Term Care Insurance

Long-term care insurance can help minimize the financial and emotional effects of a chronic health problem — such as Alzheimer's disease, dementia or stroke — by paying for benefits if you become physically or mentally unable to provide for your own safety or well-being. It covers a variety of services to help you maintain your standard of living in your own home or in a nursing home.

Long-term care insurance is useful for:

- Protecting assets and income.
- Staying independent of financial support from others.
- Maintaining options in selecting types and places of care.
- Feeling secure that you are covered if you need long-term care.

Medicare and most health insurance plans do not cover long-term care expenses.

12 PRENUPTIAL AND POSTNUPTIAL AGREEMENTS

Prenuptial Agreement

Prenuptial agreements are most commonly used to prearrange financial matters and protect future inheritances. Allow at least 3 months before the wedding to work out the details. A valid prenuptial agreement generally involves attorneys and full financial disclosure. Most prenuptial agreements provide that whatever property or debts you bring to the marriage will remain yours if the marriage dissolves. They protect what you do not have yet, including property you expect to inherit. They can be used to specify rights and privileges within a marriage, or they can provide for the division of property and custody of children if a couple divorces. Generally, states will not allow you to waive child support, dictate child custody or otherwise impinge on the rights of your children.

You may not need a prenuptial agreement if you are both young, have not accumulated any real assets and are not likely to inherit a sizeable amount of money or property. In this case, the laws of your state which establish how property is divided in marriage may fit your needs and no other contract would be needed.

If, however, you are coming into marriage with considerable assets, including, for example, stocks, real estate, other investments, a business, vehicles, jewelry, art, or anticipate an inheritance, you may want to consider the following steps if preparing a prenuptial agreement:

- Talk to each other about what you want to include: for example, assets, support for children from a previous marriage and inheritances.
- Decide what agreements you might want to make with each other.
- Consult an attorney knowledgeable about family law for advice.
- Incorporate your agreements into a written contract prepared by your attorneys.
- In the contract, you may want to specify a date or time frame for reviewing the agreement.
- Make sure you both believe the agreements are fair and equitable before you sign anything.

Postnuptial Agreement

You may also accomplish the same goals by making a postnuptial agreement, a similar legal document created after you marry, but these are less common.

Whether you choose to change your name or not, you will need to consider any possible legal consequences of your decision. Use the "Name And Address Change Checklist" to notify others of this change. As you consider the following options, remember that laws vary from state to state.

As soon as possible after your marriage, record your new name on all legal, business and official documents. Consult an attorney regarding your specific situation.

- **The wife keeps her maiden name.** Sign your maiden name on your marriage certificate and future documents. If you want to keep your maiden name after marriage, check with your state's Social Security Administration (SSA) to determine if you are required to notify any official agencies.
- **The wife takes her husband's last name.** Sign your new name on your marriage certificate and all future documents. To change your name on documents, some entities require you to make the change in person, complete forms or provide a certified copy of your marriage license (or certificate).
- **The wife uses a hyphenated last name, incorporating her maiden name and her husband's last name; her husband keeps his own last name. Or, both husband and wife hyphenate their last names.** Sign your new, hyphenated name on the marriage certificate and future documents.
- **The wife uses her maiden name as a middle name and takes her husband's last name.** Sign your new name on your marriage certificate and future documents.
- **The wife uses both her husband's last name and her maiden name.** Problems can arise when you use the two names interchangeably on legal documents. To avoid future complications, use only your maiden name on legal documents and joint federal income tax returns. The IRS may require proof of your marriage and request a notarized copy of your marriage license (or certificate) if you choose this option and file a joint return.
- **The husband takes his wife's maiden name.** This generally is chosen when changing the wife's last name is difficult for professional reasons and both spouses want to share the same last name.

  Gather the forms required by employers and financial institutions at least one month before you marry. Financial planning professionals suggest you begin by contacting your local SSA office because employers, many financial institutions and others require that their records be consistent with Social Security records.

Name And Address Change Checklist

The following checklist includes sources of records where your name and address may appear. If you choose to change your name, change each record that applies.

DOCUMENTS/RECORDS

- ❑ Automobile insurance provider
- ❑ Business cards
- ❑ Checking accounts
- ❑ Club membership
- ❑ Credit cards
- ❑ Dental insurance provider
- ❑ Dental records
- ❑ Driver's license
- ❑ E-mail account
- ❑ Employee records
- ❑ Health insurance provider
- ❑ Homeowners/Renters insurance provider
- ❑ IRA
- ❑ Life insurance provider
- ❑ Loan accounts
- ❑ Long-term care insurance provider
- ❑ Medical records
- ❑ Military or Department of Veterans Affairs (VA)
- ❑ Mutual fund
- ❑ Passport
- ❑ Pension plan
- ❑ Personal physician
- ❑ Phone company
- ❑ Powers of attorney
- ❑ Professional licensing organization (for physicians, attorneys, other licensed professionals)
- ❑ Property title or lease
- ❑ Safe deposit box
- ❑ Savings accounts
- ❑ School records
- ❑ Social Security card
- ❑ Stock/Bond registrations
- ❑ Subscriptions
- ❑ Taxes/Internal Revenue Service (IRS)
- ❑ Trusts
- ❑ U.S. Postal Service
- ❑ Utility companies
- ❑ Vehicle registration
- ❑ Voter registration
- ❑ Wills (revise or execute new wills)

WHEN YOU DECIDE TO MARRY:

- ❑ Talk to each other about your financial habits, attitudes and behaviors.
- ❑ Disclose your assets to each other.
- ❑ Disclose your debts to each other.
- ❑ Set goals for yourselves as a couple.
- ❑ Create a budget together.
- ❑ Begin saving for joint financial goals.
- ❑ Begin to pay debts in full by the time you marry.
- ❑ Establish an emergency fund.
- ❑ Discuss whether or not you want or need a prenuptial agreement. If so, what needs to be included?

TWO MONTHS BEFORE YOUR WEDDING:

- ❑ Begin to create your post-wedding budget.
- ❑ Decide how money will be managed in your marriage.
- ❑ Decide if you will change your name when married.
- ❑ If you need health, disability or life insurance, begin considering policies.

ONE MONTH BEFORE YOUR WEDDING:

- ❑ Finalize your post-wedding budget.
- ❑ Decide who will assume financial responsibilities.
- ❑ Identify sources of records where you will need to change your name/address.
- ❑ Continue to openly discuss financial management matters.
- ❑ Continue to work on a prenuptial agreement with your attorneys. Sign the agreement 2 weeks before your wedding.

IMMEDIATELY AFTER YOUR WEDDING:

- ❑ Make name and address changes, as necessary.
- ❑ Change beneficiary designations on insurance policies, pension plans and other documents as necessary.
- ❑ Review all insurance policies. Cancel duplicate policies, memberships, subscriptions and services.
- ❑ Update your wills. If you do not have wills, prepare and execute new wills.
- ❑ Create a durable power of attorney for financial matters and for health care. Consider signing a directive to physicians.
- ❑ Contact your employer to make changes to benefits that reflect your requirements as a new couple.
- ❑ Schedule a time with each other for your financial management discussions. You may want to seek the advice of a Certified Financial Planner™ (CFP®) practitioner.
- ❑ Organize your personal documents.
- ❑ Review federal income tax status and decide which filing status is most beneficial.

RESOURCES

The USAA Educational Foundation offers the following publications on a variety of topics:

MANAGING CREDIT AND DEBT (#501)

BUILDING AND MAINTAINING GOOD CREDIT (#536)

FINANCIAL PLANNING AND GOAL SETTING (#511)

MANAGING YOUR PERSONAL RECORDS (#506)

RETIREMENT PLANNING IN YOUR 20S AND 30S (#516)

ESTATE PLANNING (#518)

BASIC INVESTING (#503)

AUTO INSURANCE (#526)

HOMEOWNERS INSURANCE (#558)

HEALTH INSURANCE (#545)

LIFE INSURANCE (#507)

LONG-TERM CARE (#537)

BUYING A VEHICLE THAT MEETS YOUR NEEDS (#505)

FAMILY VALUES: BUILDING A LEGACY (#562)

PROTECTING YOUR IDENTITY AND PERSONAL INFORMATION (#520)

CYBERSECURITY (#575)

SOCIAL NETWORKING (#576)

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