PLAN YOUR FINANCES TOGETHER

In many households, one partner typically is the money manager. He or she may write all the bills, make all the investment decisions, work with the financial advisors, prepare the annual tax returns. In other households, partners may split the duties, and never the twain shall meet. The left hand doesn't know what the right hand is doing.

The danger with either of these scenarios is that crucial financial decisions may not be made properly, or the death or disability of one partner may leave the other partner in the financial dark. That's why it's important for both partners in a relationship to discuss their overall financial picture and share the major financial decisions.

From the standpoint of efficiency, it often makes sense for one person to handle the finances. For example, bills are less apt to be overlooked if only one person is responsible for paying all the household bills. Furthermore, one partner may not be financially competent or may not have the time or interest.

However, it is important that the partner not involved in a particular financial task at least knows what the other person is doing. Take bill-paying. Let's say one person is in charge of making sure the house payment is made on time, the utility company is kept happy and the checkbook balances. The other person should at least know in general how much and where their money is going. A good place to start is a budget. One person might assemble the month's budget, but both partners should look it over, especially if the budget is tight and they have to make decisions where to spend their money.

It's also common for one partner to be in charge of savings and investments. They may be the most informed person to decide which mutual fund or stock to buy, for example, or what mix of investments to have in their portfolio. However, investment decisions should always be made in the context of household goals. Both partners should be closely involved in goal-setting! Are we investing for our children's college education or our retirement? Are we saving to buy a new car or go on a cruise? How much should be set aside in savings and investments each month to reach those goals?

Even if only one person actually selects the investment vehicles and does the necessary paperwork to make it happen, they should inform the other person why they have picked a particular fund or why the portfolio is allocated the way it is to stocks, bonds, cash and other asset categories.

The same advice can apply to filing tax returns. One partner might fill out the return, but the other partner should review the return—and ask questions if they don't understand something—before co-signing the return.

This mutual sharing of financial information not only helps keep the relationship waters smooth—finances are a frequent factor in troubled marriages—it becomes critical if the money-managing partner becomes disabled or dies. The other partner may not be able to immediately take over complete management, but at least they know in general what their financial picture is and what needs to be done. If they aren't able to make or execute specific financial decisions, at least they can work more effectively with professional help. Being informed also reduces the ability of scam artists to prey on an ill-informed surviving partner. Also, in the event of a divorce, the partner who has been managing the finances will be less able to take advantage of the other partner compared with a partner kept in the dark.

If there is concern that one partner won't be able or is unwilling to manage the money in the event something happens to the other partner, professionally managed trusts can be set up.

Good record keeping is essential. Each partner should know where everything is located. Both partners also should have the names and phone numbers of all financial professionals. Better yet, meet them, especially key advisors such as a financial planner and attorney.

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