Should You Combine Finances? Having the Money Talk with Your Partner

When you fall in love, determining what to do with your separate bank accounts may not be your highest priority. But if you and your partner are planning on getting married or are otherwise in it for the long haul, having a money talk can help you avoid future conflict and grow as a couple.

What does it mean to combine finances?

What it means to "combine finances" depends on the couple. Some people choose to blend all of their accounts, opening joint savings, checking, and investment accounts and closing their individual accounts. Others choose to open joint savings and checking accounts for household spending while maintaining their own accounts for personal use. You could also maintain separate accounts but pay bills jointly or proportionally according to each of your earnings. What "combined finances" looks like is up to you and your partner and depends on your combined level of comfort; there are no hard-and-fast rules.

Note: Retirement accounts, including TSP and 401(k) accounts and IRAs, can only have one owner and cannot be combined between with other accounts. However, partners and spouses can be listed as beneficiaries, meaning that they gain access to the account's funds should the original owner pass away.

How to Combine Finances

Combining finances starts with a conversation. Before focusing on the practicalities of opening and closing bank accounts, you and your partner should consider your financial goals and expectations. Lay everything on the table: how much money each of you brings in, your financial needs and your wants, and your spending habits. The goal is to develop a complete picture of your combined income and expenses so that you can begin to create a household budget and spending plan.

Talk about:

- **Income:** How much money are each of you bringing into the household, and from what sources? Do you have enough income to put money away into an emergency fund?
- **Debt:** How much money does each of you owe? What is the repayment schedule for those debts? Discuss which debt repayment method best fits your situation.
- **Financial necessities:** How much money do you spend on needs? This includes housing, food, transportation, and utilities.
- **Financial wants:** How much money do you spend on wants? This includes date nights, takeout, vacations, and other "fun stuff."
- **Retirement:** Are either you or your partner saving for retirement outside of an employer-sponsored retirement account? What are your savings goals for your individual retirement accounts each year?
- **Future goals:** What are your financial goals? In the long term, are you interested in creating an emergency fund or rainy-day fund, saving for retirement, or paying down debt? Short term, do you want to save for a down payment, a new vehicle, or a vacation? Agreeing on your long- and short-term goals now can streamline your future conversations and give you an incentive to save.

This is also the time to agree on how you will pay for particular line items in your budget. Automatic bill pay is often available for utilities, including cell phone and internet service; electric, water, and gas service; insurance; and recurring subscription services (e.g., Netflix, Amazon Prime). You can also set up recurring payments for credit card payments, mortgage and rent payments, and vehicle and student loans.

Determine what account you want each of your bills to be paid from. If you have a shared account, it may be wise to have all joint expenses (like utilities) paid through it; if you have loans for which only one of you is liable, you could choose to pay those from separate accounts. If you maintain separate accounts entirely, make sure that you come to an agreement on who is paying which bill and when; late fees and interest can add up when payments are not made on time.

Other Considerations

Beneficiaries

A beneficiary is a person or entity that will receive the benefits of financial and other property that is owned by someone else when the original owner passes away. You often hear about beneficiaries with respect to life insurance, but other financial products may also allow the owner to name a beneficiary.

Bank accounts and retirement accounts are designated as "payable-on-death" or "transfer-on-death" accounts and allow for beneficiary designations. These designations are made through the bank or investment company that manages your accounts. Bank accounts that are *not* jointly owned (including checking accounts, savings accounts, and CDs) are paid to the beneficiary upon the account owner's death. Stocks, bonds, and retirement accounts transfer ownership to the beneficiary when the owner passes away. You and your partner will want to agree on who the beneficiaries of your individual accounts will be. While investment owners often designate their partners as their beneficiaries, they may also designate children, grandchildren, or other dependents. If you and your partner have joint bank accounts or are both named on the deed to a home when one of you passes away, the survivor generally retains ownership.

Spending Guidelines

In addition to determining how recurring bills are to be paid, you and your partner may want to discuss additional spending rules. If all your bank accounts are combined, how will you handle purchasing gifts for each other? Is there an upper limit to purchase decisions that can be made by one of you alone? Thinking and talking about spending practices and fringe scenarios ahead of time can stave off arguments in the future.

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