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Do not let money mistakes rock your marriage

Newly married couples tend to overlook financial planning and get influenced by others into overspending. Watch out for these pitfalls and nurture your marital harmony

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Mumbai-based Preeti and Amit Mahajan, both 34, have been married for nearly 4 years. Preeti works at an immigration law firm, while Amit is a music curator. Although the couple now believes that they have satisfactory returns from their current investments, their financial story was different when they were newly married.

"The only investments I had, from the time I started working, were insurance policies…my agent sold me different policies which, according to her, were good savings 10-20 years down the line," said Preeti. Amit, too, had similar views towards savings and had investments largely in insurance policies. "Investments in recurring deposits (RDs) or fixed deposits (FDs) were rare. I had a Public Provident Fund (PPF) account, but never actively invested in it then," he added.

The couple had no visible goal-based plans on their mind. Overall, their financial strategy did not paint a rosy picture. A year into their marriage, they felt that the returns needed to be better, and decided to seek professional help. They met Kalpesh Ashar, certified financial planner and founder, Full Circle Financial Planners and Advisors.

Experts feel there are many newly married couples who make many financial planning mistakes. In fact, some of these, they say, are so grave that they could even lead to marital discord in the future. Here are a few such mistakes that you should avoid.

Talk about the money

Discussing finances can be sensitive, but it is necessary. "The phrase 'never ask a man his salary' is a wrong practice. One of the mistakes is where the man or woman is not revealing the real income to the partner," said Ashar.

Not disclosing details of financial status, salary details, spending habits, investment plans, debts, including credit card outstanding amount, could lead to marital discord later, say experts. Sit down with your partner, talk about these aspects, and understand how the other person spends. "One should create an alignment in terms of expenses and savings, which will help in creating a robust financial partnership, and that needs to be done early in the marriage," said Shyam Sunder, managing director, PeakAlpha Investment Services Pvt. Ltd, an investment advisory.

While privacy is important, not sharing crucial information—such as those relating to bank accounts, investments and their maturity, personal assets—could lead to problems during an emergency.

"It has happened in some cases, where one person suddenly took ill and was in a comatose condition, and the spouse did not have any idea about their assets," said Anil Rego, founder and chief executive officer, Right Horizons, a Bengaluru-based certified financial planner.

Experts also say that the share in household expenses should match the share in household income. "If one person's income is deployed towards the expenses and the other partner's account is used for savings, it can lead to issues. This could create bitterness and even ruin the marriage," said Sunder.

Financial harmony

Goals must be be discussed early in the married life. Whether you wish to buy a car, a house or even study further. Not having such talks early in the marriage, and failing to have time-bound goals could be disastrous. "Such decisions get taken emotionally rather than practically. Under the pressure of buying a house, the wife or husband may put the plans to study further on hold or even scrap it," said Vishal Dhawan, founder and chief financial planner at Mumbai-based Plan Ahead Wealth Advisors.

Making sudden changes, which could affect the family's finances, could also be one of the major blunders. For instance, there are cases where the wife or husband does not inform the spouse about a sudden change in job profile or business plans.

The Mahajans were smart in this regard. They had a common goal. "Both of us did not want to study further. We wanted to start a venture few years down the line. We were not sure about the details of what we needed. So, our planner helped in setting aside some funds for the same," said Preeti.

Spend responsibly

Some couples make the mistake of getting carried away by peer pressure or exposure to media, and overspend on things they cannot afford. "This can severely suck up the capital you need for your everyday necessities...your entire lifestyle may get constrained," said Suresh Sadagopan, founder, Ladder7 Financial Advisories.

Sadagopan said that the initial days should be more about slowly building assets as per needs. "We get clients who buy a 450-litre fridge for a family of three. It is nothing but an ego trip." If such habits are checked, it could lead to better growth of your money.

Nominate your spouse

Many times the newly married couples ignore to update the nomination details in their accounts and various investments.

When choosing a nominee, most people nominate their siblings or parents when they are unmarried. While parents and siblings should still have a say and a share in the financial matters, this should be an active decision, rather than letting things go on the way it was before marriage, said Dhawan.

Ashar concurred with this view and said, “One must try to synchronise (the nominees) with what has been mentioned in the Will of the individual.”

Buy adequate insurance

Couples sometimes do not buy adequate insurance cover or do not add each other to their corporate insurance policies.

“There are times where corporate medical covers offer you the option of allowing spouses to be covered. However, (sometimes) people do not (update) the policy,” said Dhawan.

These can create problems if you plan to have children soon. “(Many) covers today also offer pregnancy coverage, which is built into the plan. Younger couples should actively consider such insurance policies,” he added.

Mint Money take

The key to ironing out financial issues in a marriage lie in talking about all the aspects honestly. Do not hesitate to share important money-related information with each other. Moreover, set up an emergency fund right at the start. Experts recommend that such a fund should be able to cover at least 6 months of expenses .

Make it a point to start investing early and make the most of the benefits of compounding. The earlier you start, the better it is.