

How to ensure financial compatibility in your relationship

By Chandrasekha Mukerji, ET Bureau | Last Updated: Feb 08, 2016, 11:15 AM IST



Summary Most respondents to an online survey conducted by ET Wealth last week said it was important that both partners have similar money habits.



Financial habits rarely determine who you date. Match-making apps don't have filters for savers or shopaholics. Yet, it's critical to be on the same page with your partner when it comes to money. It makes sense to pair up with someone who shares your views and attitudes towards money.

Nearly 89% of the respondents to an online survey conducted by ET Wealth last week said it was important that both partners have similar money habits. What's more, both males and females had nearly identical

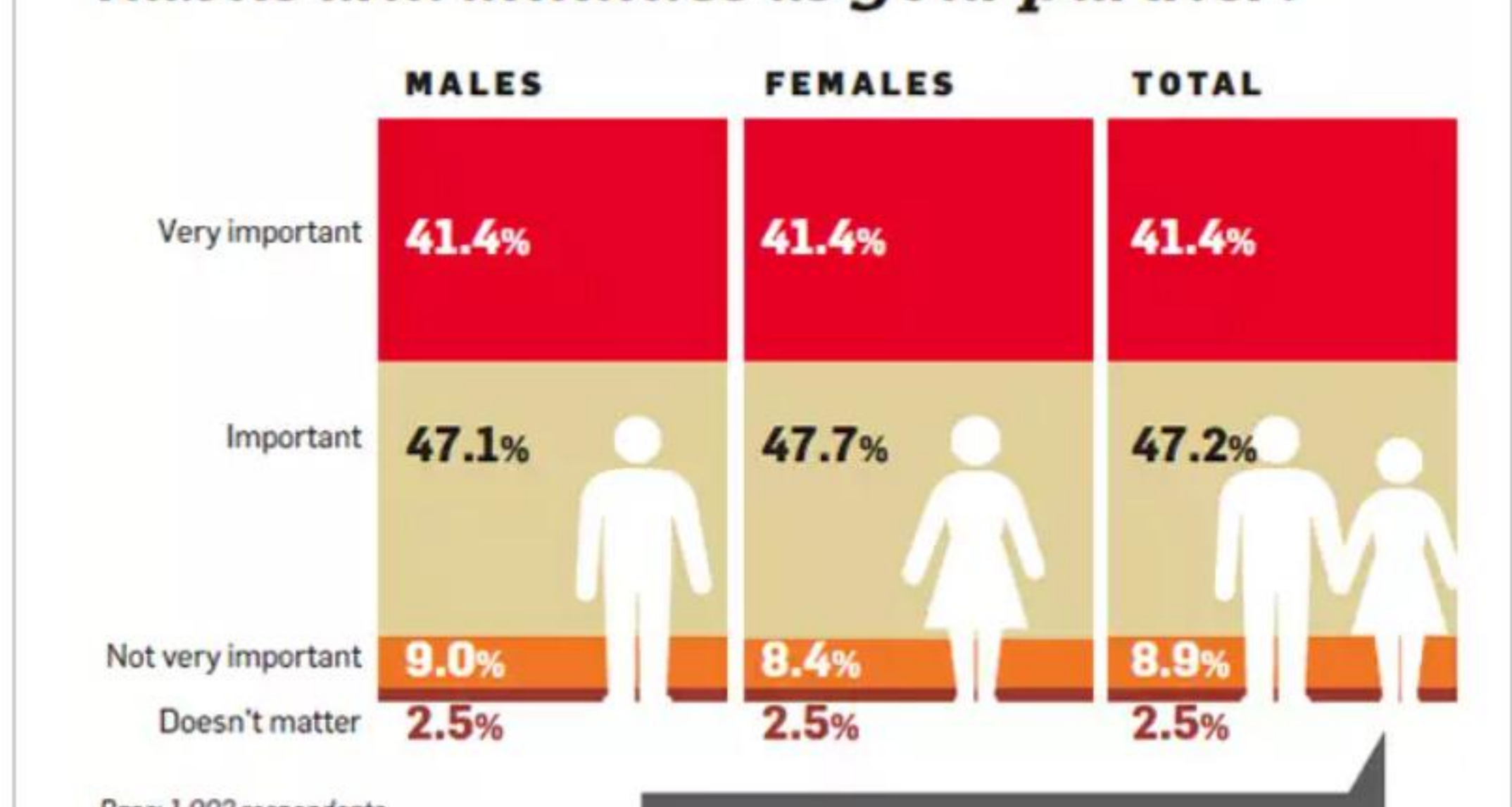
views on this crucial issue.

What's your money personality? Take this quiz to find out!

Planners agree that partners should have a shared vision on financial matters, because money arguments can lead to stress in marriages. In extreme cases, they can even cause break-ups. Priya Sunder, Director of Bengaluru-based wealth management firm PeakAlpha Investments tells of a client who used to give large donations to religious charities and temples. His fiancée called off their engagement because she did not agree with his views on charity.

Not everyone is so lucky. Most people get to know of their partners' financial habits after marriage. By then it is already too late, and extremely divergent attitudes become the basis of endless fights. Almost four out of five survey respondents in the age group 20-25 years have money arguments with their partners. Most of the time, the fights are over spending too much on unnecessary stuff.

Pradeep Kumar, a Bengaluru-based software professional, is a saver who likes to live within his means. But his wife is a shopaholic with expensive tastes for clothes, shoes, a high-life and luxury travel. Their divergent money habits have caused endless fights in their 10 years of marriage. When he recently discovered that she had borrowed money from friends and colleagues to fund her expenses, he filed for divorce.

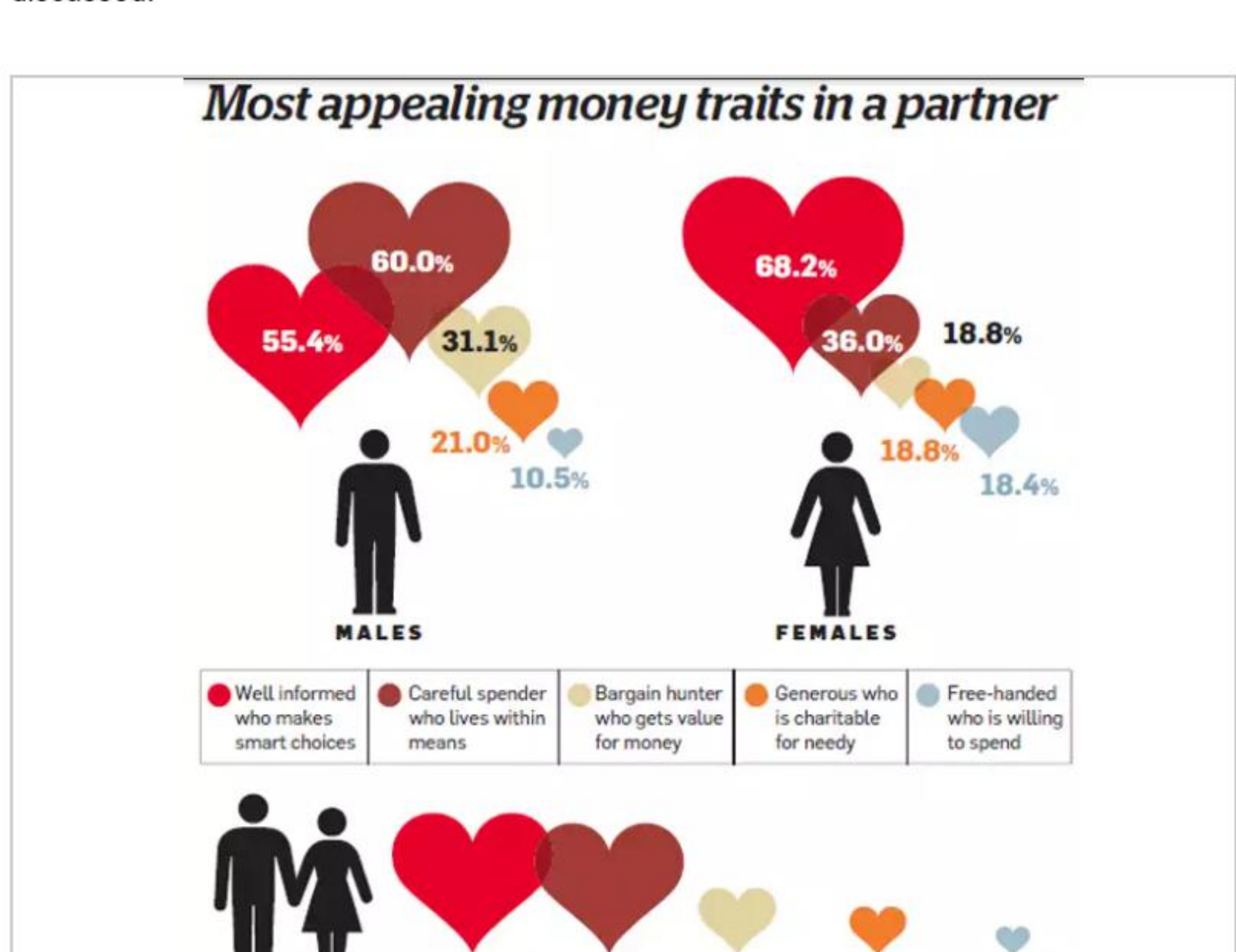


KNOWING EACH OTHER

Such catastrophic outcomes can be avoided by understanding the nature of the person beforehand. However, most of us never even try to find out. As a society, we are not conditioned to speak openly about our finances. "It surprises me when a wife doesn't know how much her husband earns," says Sunder.

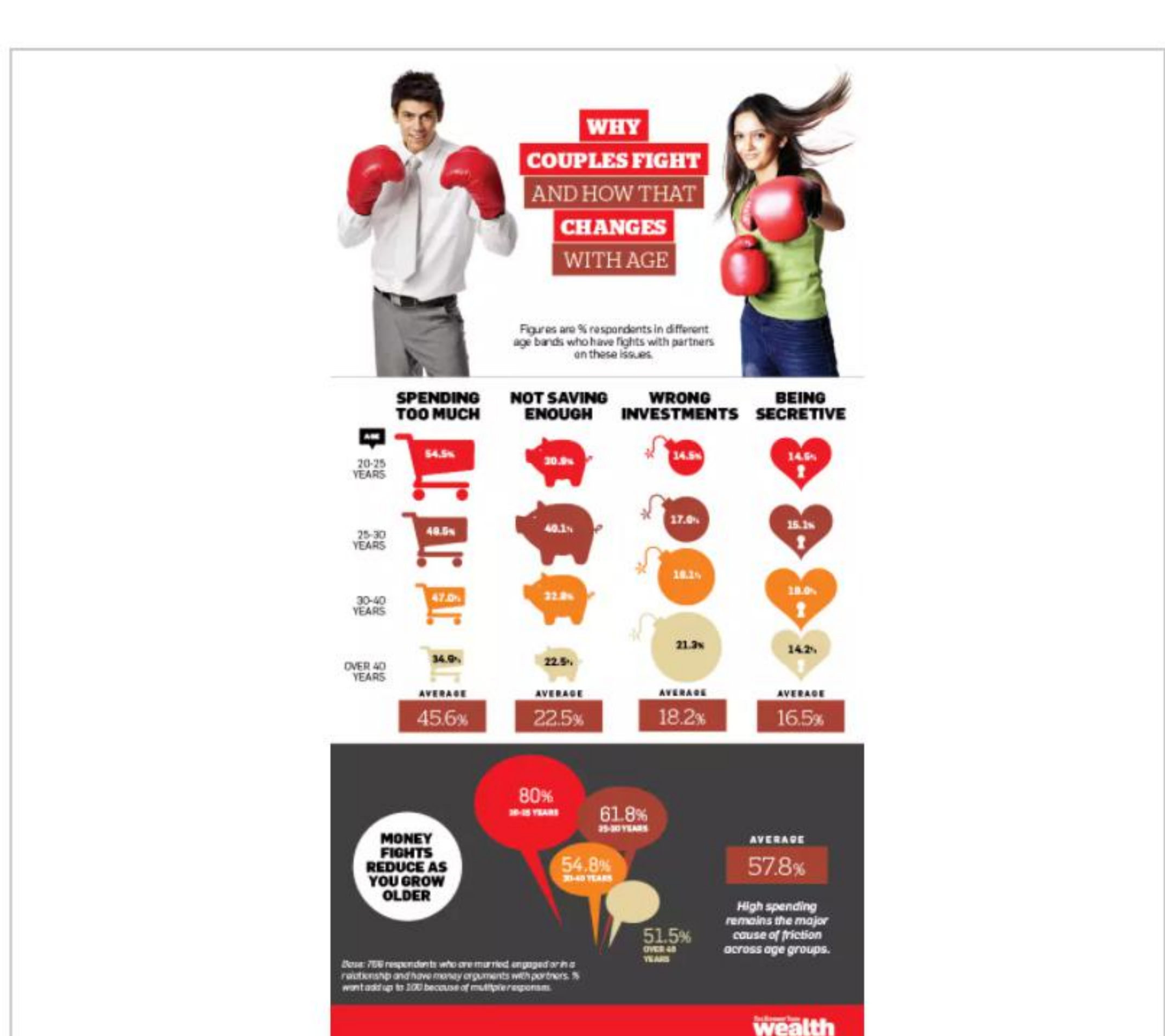
Money talk before marriage and during courtship is almost taboo and immediately places one in the same category as gold-diggers, dowry-seekers and other despicable elements. Yet, it is important to know the financial habits of the other person before you make a commitment for life.

To be sure, things are changing in the urban landscape and young professionals are more open to discussing their incomes and 'balance sheets' with prospective partners. However, these conversations are still cursory and don't go into details. While people are comfortable discussing incomes, what they like to spend on and even future goals, issues like existing debt, dependent parents and siblings, and investing habits are rarely discussed.



"The necessary honest and unabashed dialogue before making a lifetime commitment is still missing," says Anil Rego, Founder and CEO, Right Horizons Investment Management.

Times have changed and even in arranged marriages, there is a 'dating period' during which the two partners get to know each other. Most conversations during this time are around their families, friends, tastes in food, films, habits and hobbies. "There is nothing wrong in interweaving discussions about each other's attitude towards money, saving habits and liabilities," says Mimi Partha Sarthy, Managing Director, Sinhasi Consultants, a Bengaluru-based wealth management firm.



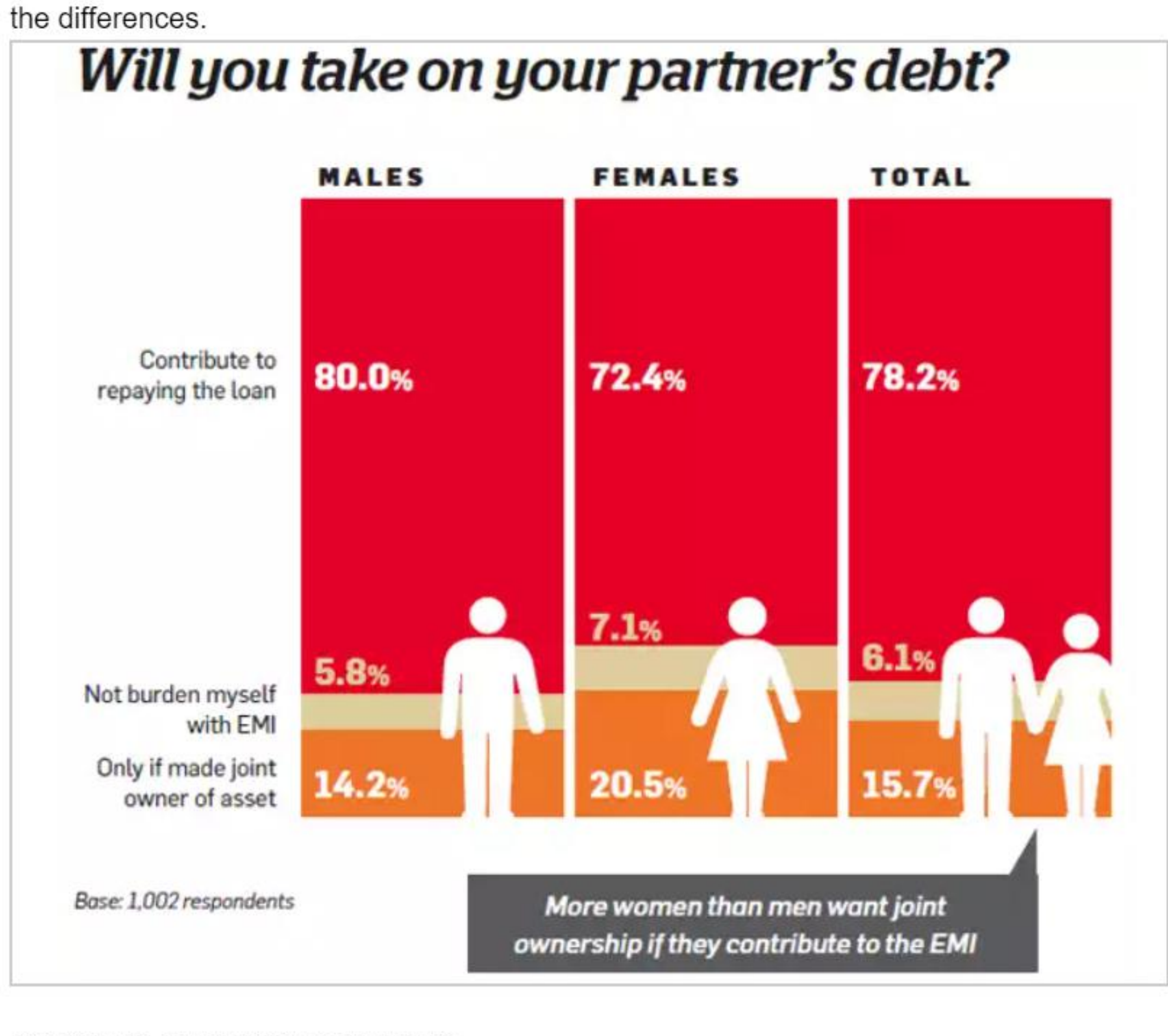
ASSESS YOUR OWN PERSONALITY

Before you assess the other person, you need to assess yourself. Only then will you be able to tell whether you can be compatible with the other person. Most people inherently know their attitude towards money.

So, you probably already know whether you are a saver or a spender. But is it a strength or a weakness is what you need to find out. You might think you are frugal, while others might perceive you as a miserly pennypincher. You might enjoy shopping, but that does not necessarily make you a shopaholic. It's only when you spend beyond your means can you be called a spendthrift.

Apart from habits, check your general attitude towards money and investments. Also, what type of investor are you: aggressive, conservative or balanced? Whether you choose a partner who is like you or has opposite views is your decision. Remember, compatibility does not mean that the two partners have to be carbon copies of each other.

In fact, some financial advisers believe it is better to have differing views which leads to more balanced decisions. The question you should be asking is whether you can live with the differences.

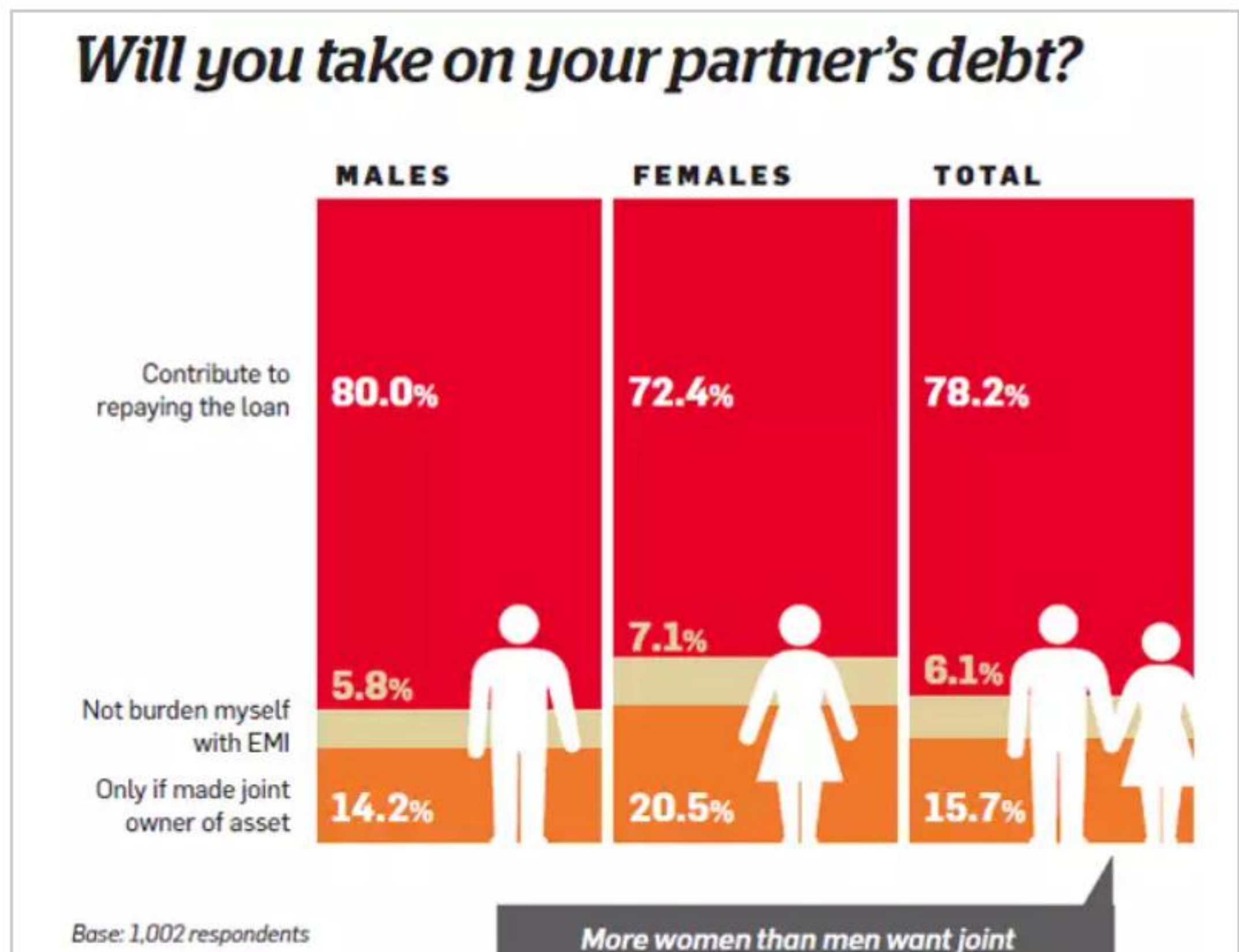


KNOWING THE MONEY VALUES

When you are dating someone, try and find out the money values of the person. These values determine how one looks at money, why one makes certain decisions, and how one spends or saves. If he is a spendthrift, it may be because of the way he was brought up. "A person's money values are moulded very early in life by his upbringing and environment. It is difficult to change this later in life," says Sunder.

Dig into your partner's values by asking what money means to her. How important is it in her life? What can he sacrifice to get a higher pay cheque? For some people, having a lot of money is important. For others, it may be ok if they have enough to pay the bills. They may not want to work harder to earn extra.

If you're not on the same page with your partner, there could be frequent fights about why one needs to work late every night, or why the other is not more career driven. Arguments are natural in any relationship. But if your beliefs are at opposite ends of the spectrum, it'll take forever to resolve the differences and find the middle ground a relationship requires.

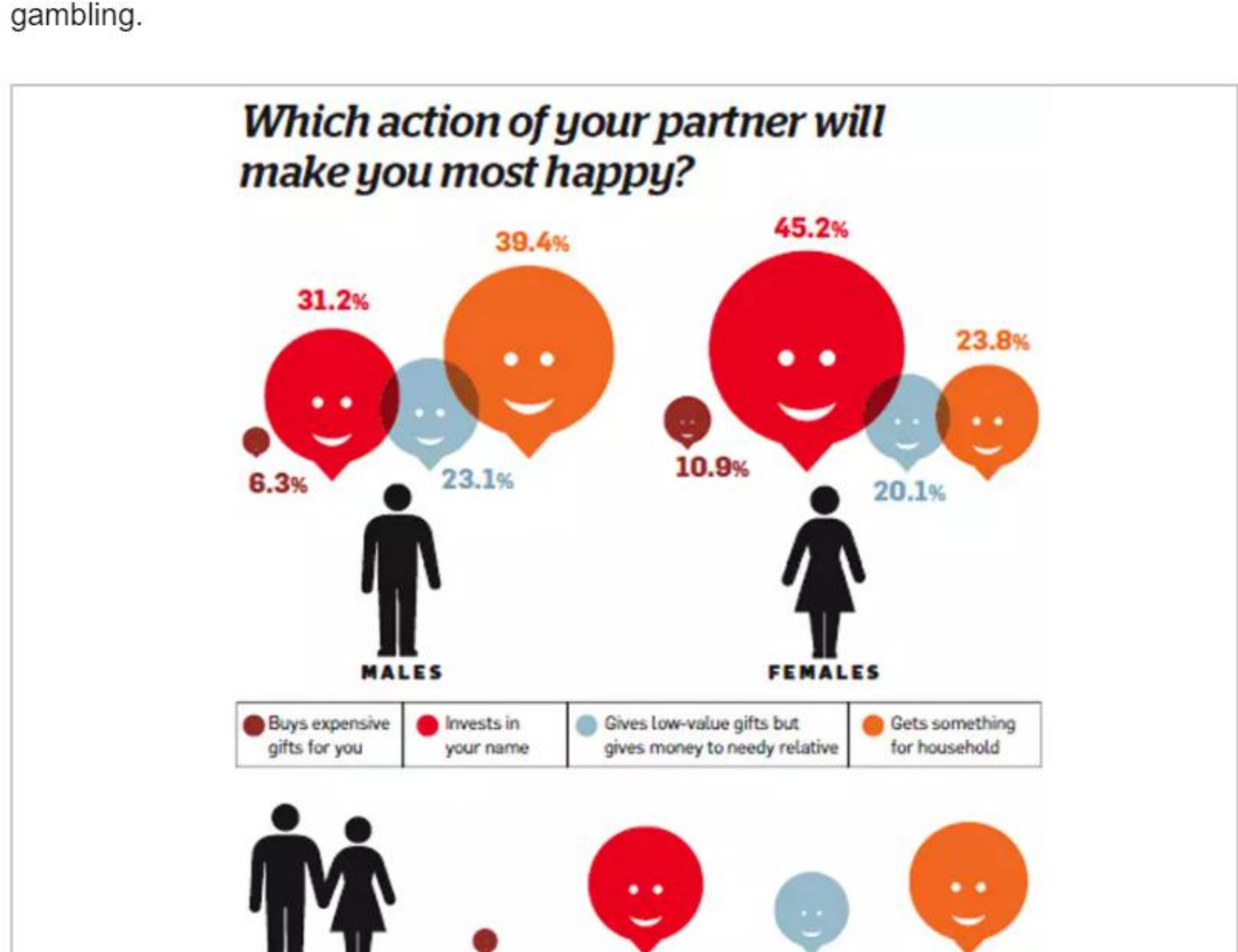


DO YOUR MONEY HABITS MATCH?

It is quite clear from the survey that spending and saving patterns are the chief reasons why couples fight. On the other hand, a careful spender and a well-informed person are the money traits that most men and women find appealing among partners.

Clearly, it is important to get a sense of each other's spending and investing habits before tying the knot. If you are someone who strictly follows a budget, a person who isn't serious about money will drive you crazy. Any extremes should be red flags and can cause dissonance in the marriage.

Spending time with the prospective partners can reveal facts about them they themselves might not know or are trying to hide. There could be clues in the way they dress, the gadgets they use and the way they conduct themselves during a dinner date. Partha Sarthy tells of a friend who recently broke up because of her partner's obsession with gambling.



DEBTS AND DEPENDENTS

When you talk about money with a prospective partner, it's not enough to know about assets alone. Also find out the person's existing liabilities. Do not flinch from asking this as it can have severe implications on your future financial life. He might be getting a fat pay cheque, but what if he also has big EMIs to pay? Ask yourself if you are willing to share the repayment burden. "There is nothing wrong in sharing the debt burden if it helps the family become debt-free quickly.

But it is important to approach debt-sharing in a structured manner," says Sunder. It will be financially wise not to take on too much of your partner's debt unless it's an asset that they jointly own. Nearly 94% of the survey respondents said they were willing to help their partner repay existing loans. But one in five female respondents insisted that they will do so only if made part owners of assets bought with the loan.

Also find out if your future partner has dependents and how she plans to take care of them in future. "With more women now becoming financially independent, they want to support their parents. Such obligations must have a buy-in from the spouse," says Srikanth Bhagwat, Managing Director and Principal Advisor, Hexagon Wealth Advisors.



DIVIDING RESPONSIBILITIES

At a later stage of courtship, it is also necessary to discuss how financial responsibilities will be shared. One critical issue is the type of bank account to be maintained. Should you combine bank accounts after marriage or keep them separate? Ideally, there should be a joint account for common expenses and separate accounts for personal spending.

"Each partner must have a separate bank account to retain their financial independence. It gives them something to fall back on if the marriage turns rocky," cautions Sunder. Most respondents realise this. Almost 73% said they prefer to have both joint and individual accounts after marriage.

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