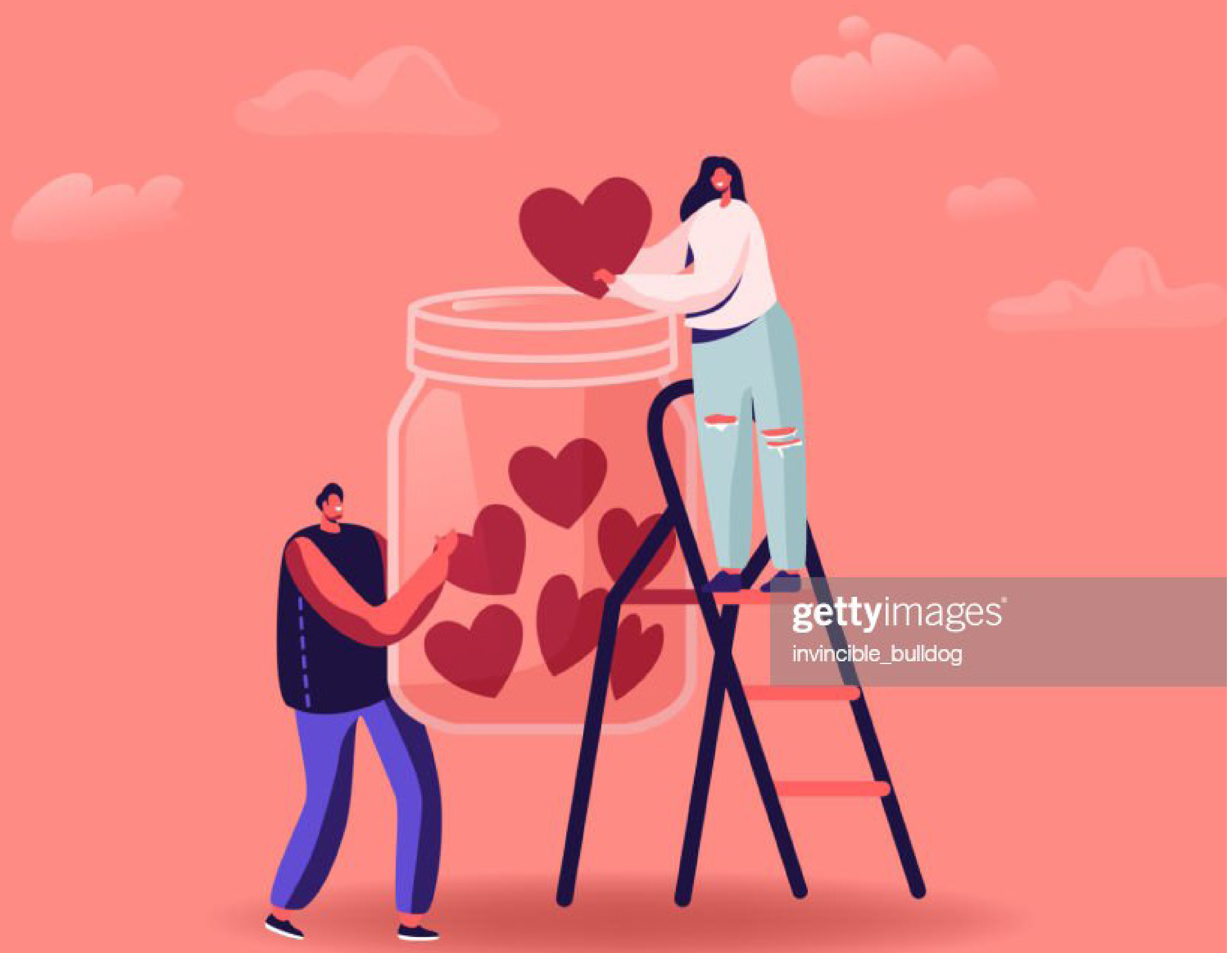
Relationship finance

Issues around money and managing finances will probably surface in most relationships – but it doesn't have to be prickly



Words by **Shannon Manuel**

FOR MANY, the statement 'money can make or break a relationship' rings true. But with effective communication and transparency, this subject can bring you and your partner closer together. As that's easier said than done, we asked experts for their advice.

NAVIGATING A FINANCIAL IMBALANCE

This occurs when one partner earns significantly more than the other, which may cause friction. We tend to think of financial imbalance between partners who are married or cohabitating (since they have more shared financial obligations). But even those dating can experience situations such as who shouts dinner and whether they buy each other gifts.

Relationship Counsellor Janet Winterbourne gives us insight into how to talk about and overcome a financial imbalance that's a source of contention in your relationship.

Why do money matters cause conflict in a relationship?
Many couples don't discuss their financial expectations of each other in the beginning, or when their circumstances change, i.e. when children come along, which can change one partner's ability to work or earn, often leading to frustration and conflict due to a lack of clarity. It can be a source of conflict, but if both partners are honest about their ability to contribute and accept there may need to be a pro-rata split, it needn't be a deal breaker.

Some argue income disparity in couples is less about amounts of money and more about overall fairness and equity in a relationship.
That's often the case. If there's a notable disparity in earnings yet the expectation is that both partners contribute equally, either their lifestyle needs to accommodate the lower income or a percentage of contribution agreed to create a fair 'balance'. This way, one doesn't feel cash-strapped and pressured while the other enjoys more disposable income.

Relationships don't hinge on finances alone. You may find your partner follows a lesser paid, vocational career that offers other (still admirable) rewards. Or perhaps they sacrifice their ability to progress their career somewhat because they decide to parent children full-time, which also doesn't offer a financial reward. Couples need to see the many aspects of a relationship that contribute to successfully cohabiting beyond finances.

When does a financial imbalance in a relationship become toxic?
When one partner financially abuses the other, for example, taking unreasonable advantage of the more prosperous earner, or limiting equality, where one partner can't enjoy the same level of comfort as the other because they earn less. A financial disparity can halt a relationship's growth, or the couple can learn to manage it respectfully, finding a suitable solution to mitigate the imbalance.

How important is financial independence?
Both parties must feel they have financial autonomy, irrespective of who earns what. Dependency can lead to vulnerability and disempowerment. Even if one partner's the sole income provider, a couple can structure their finances so that they each have their own money. It's potentially degrading, and I see great anxiety when one partner has to ask for money. It may seem okay at first, but it creates vulnerability and a power hierarchy if the relationship encounters a glitch.

'COUPLES NEED TO SEE THE MANY ASPECTS OF A RELATIONSHIP THAT CONTRIBUTE TO SUCCESSFULLY COHABITING BEYOND FINANCES'

JANET WINTERBOURNE

An established Relationship and Family Counsellor and Coach in Cape Town

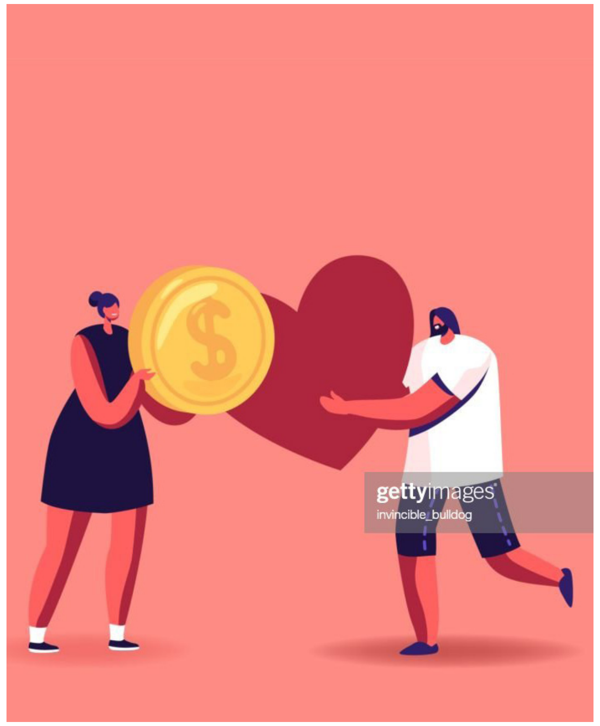
How early should couples start talking about finance?
Usually, couples learn about each other's perspective on finances early on, which they discover in their financial responsibilities, capabilities and expectations. Who pays for dinner? Does she want autonomy and equality and feel offended if a chivalrous partner offers to pick up the bill? And what does he expect? A fifty-fifty split or a more traditional approach where he pays? Through those experiences, they can establish whether their partner's a good fit. Later, when a couple considers a more committed life together, they need to be more exact about managing their finances.

What advice do you give to couples who are experiencing a financial imbalance?
I attempt to show the couple the consequences of that imbalance and why it's caused them unhappiness. An inability to find a financial balance can harm a relationship. I'm *very* solution focused in my approach, so an answer *will* be there. I work with couples to find an amicable solution to help them feel equal and not undervalued in their relationship.

How can you prevent a financial fallout if your marriage ends?
Prenup contracts lay down the rules of engagement to which both parties agree. But that only helps to a degree, and in a conflict situation. The best way to prevent this is through financial transparency and planning. If one party feels fearful or financially insecure, that's likely because they are and don't know where they stand or worry about their vulnerability. Ideally, couples should start their lives together with an undertaking to each other of their intentions regarding finances and, preferably, documenting those. I also advocate for both parties to have their own financial investments where possible, which alleviates low self-esteem and vulnerability and avoids a sense of hierarchy and value within the relationship, and one partner abdicating their knowledge of and financial responsibility to the other partner, becoming unequal and dependent. »

In sickness and (financial?) health

Financial commandments for when you get hitched (or ditched)



IN SOUTH AFRICA, four in ten marriages don't last until their tenth wedding anniversary, as revealed by Statistics South Africa. And unsurprisingly, money issues are one of the top three reasons marriages fail. Moreover, South Africa's diverse demographic adds another potential dimension, as couples may come from very different backgrounds with varied approaches to financial management. Whatever the reason for their money mindset differences, it's crucial that couples tackle the taboo topic of all things finances upfront. And, importantly, each party needs to protect his or her own interests while building – or ending – a shared life together.

Lee Hancox, Head of Channel and Segment Marketing at Sanlam, says financial self-introspection is probably the best thing anyone can do before making a big life decision such as getting married or divorced. 'I've seen couples enter a marriage financially blind. People who get remarried or have a long financial history as a single adult will either have a good or bad financial track record, which can have implications for the union.'

Here, Hancox gives guidance on getting to grips with finances before getting hitched or un-hitched:

BEFORE YOU SAY I DO:

1 Get frank about finances: It may not be easy, but now's the time to *really* open up and air your 'dirty laundry' – especially debt. Get your financial house in order first, then take your partner through it. Consider family responsibilities as well. Your partner needs to know if you have any dependents or other financial commitments. Have your money talks in neutral environments, at times when you're both relaxed. Don't ambush each other. Rather, set a time for your talk and create an 'agenda' in the week leading up to it. Create a shared Google Doc you can both add to. Don't discuss any of the points on your agenda until your meeting.

2 Know your partner's money personality: As part of your financial discussion, get to know your partner's money personality more. Are they a spender or a saver? And, more importantly, why? What informed their attitude? Delve back into each other's childhoods. So much of how we view money starts there.

3 Get going on goals: Have a chat about some of the big things you want to achieve, individually or as a team. Do you want to buy a house? Have kids? Go on holidays? Study more? Set up a shared trust to give back to a chosen charity? How do you intend to spend your retirement? You might not know the answers yet but start having the conversations. A financial adviser can help you set goals and create a plan to achieve them.

4 Ask the uncomfortable questions: You need to get the legal side sorted. So, start thinking about whether you want to get married in or out of community of property, with or without accrual. Antenuptial agreements are essential, but can cause hurt, especially if you aren't on the same page as your partner. Power dynamics may also come into play, if one person has significantly more assets and income than the other. Approach this sensitively and find a lawyer you trust to do the contract. You might want to create a joint will – or revise your individual ones – at the same time.

5 Discuss power plays: It can be *very* difficult when one person earns more than the other. Be open about this from the onset of your engagement. It can help to establish a set of values you share. Then apply those to money. For example, you both believe in equality and respect. So, apply those values to your finances, and treat one another as equal partners, irrespective of income.

6 Unpack the practicalities: Have you both got a retirement plan in place? Does it make sense to merge to one medical aid provider? Have you got a household budget? Have you discussed any "money rules" you both want to abide by? Are you going to share an account? Have regular money dates to chat about your finances and ensure you're still on the same page.

BEFORE YOU SAY I DON'T:

When you know you want to get a divorce, Hancox says it's best to stop, breathe and take it slow, if you can. 'Avoid the dangers of a "quickie divorce". It's perfectly natural to want to get the unpleasantness over with, but choosing a cheap, quick option can lead to extremely costly mistakes that could take years to correct. I strongly urge people to get the right financial and legal advice upfront, especially when there are children involved. It's also often the case that one partner is savvier, leading to a divorce being drafted to the advantage of one and detriment of the other.' Hancox suggests:

1 Getting the right people on your team: A financial adviser and lawyer can help you understand the bigger picture and intricacies involved to ensure you get the fairest possible settlement.

2 Consider your kids: This is obviously one of the biggest factors. Think about things such as whether maintenance payments increase with inflation and whether the settlement makes provision for your child's tertiary education. Remember, maintenance and visitation rights are treated separately, so your ex could refuse to pay and still be entitled to see his or her child.

3 Change your will: You have three months to name a new beneficiary or your ex will still inherit. Additionally, change the beneficiaries on your life insurance plans and relook at your estate plan with your lawyer and financial adviser.

4 Check what you've signed surety for with your ex: Unconditional surety can still be upheld after a divorce, meaning you might be liable for loans later.

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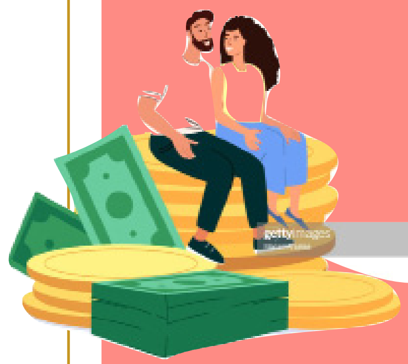
'NOW'S THE TIME TO REALLY OPEN UP AND AIR YOUR 'DIRTY LAUNDRY''

A joint venture

If you and your partner are thinking of taking out a joint bank account, loan or bond, here's what you need to know



'BEFORE UNDERTAKING a joint financial venture, consider its risks and rewards and your partner's financial strength and understanding of what you're jointly undertaking,' says Hayden Giger, FNB Channel Management Head of Secure Lending.

'You need to know how it'll impact your cash flow and how that cashflow will affect your financial standing. Ask each other the tough questions upfront so that you don't have to ask them if you start experiencing strain. Engaging with a trusted financial advisor is advised, as a joint bond, for example, is an undertaking of 20+ years.

'Bond accounts linked to home purchases are designed to enable joint parties to purchase a property. Hence, their income and expenses are consolidated to ensure they can afford the property. It's important to note that both parties remain committed to this debt for the life of the loan until fully repaid.'

He explains that applying for a joint loan is the same as doing so by yourself, the only difference being that you and your co-applicant need to provide the required financial information and are assessed together. The types of loans and debt you can take out jointly are mortgage products and securities-based lending.

'Applying for a joint mortgage loan and management of the repayment of this account impacts both parties' credit scores – similar to them having their own single accounts. It's imperative that once you have any credit (in a single or joint account), you ensure timely repayment on that debt and keep it in good standing until it's fully paid.

'For one party to extract themselves from a loan, the bank would need to reassess the remaining party to ensure they qualify for the facility on their own. In that assessment, the period and potentially the rate would be considered in the final decision.

'The facility could remain the same with just a party being removed, or the term and rate could be affected, which could impact the repayment amount. But removing yourself from a mortgage or bond deal later isn't as simple.

'If the partners to the mortgage loan are also the asset owners and one of the partners is being changed due to that partner selling their ownership portion, then the purchaser of that portion will need to approach the bank with the remaining partner to restructure the current loan or create an entirely new loan.

'When it comes to joint accounts, different products and different institutions have different rules, but as to whether one person is able to close the account without notifying the other party, the short answer is yes.'

What are the main factors you should be cortical about before co-signing debts? 'You must ensure you read the contract and understand its terms and conditions and your liability and how non-performance by either party will affect you, e.g. should your co-signatory be unable to repay their portion of the debt, the bank can claim the full outstanding amount from you,' Griger concludes.