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The Six Key Steps to Healthy Finances in Your Relationship

By Leo Babauta

If you've ever been in a relationship for very long, especially if you were married or living together, I can almost guarantee that you've had a money fight.

One of the biggest causes of problems in relationships is differences in values and goals and habits when it comes to money, and especially communication about money issues.

Money can't buy you love, but it sure can tear it apart.

And while I can't claim that my wife and I are perfect when it comes to money and relationships, I can say that we've come a long way, and we rarely ever have money disagreements anymore. It wasn't always that way, and we've had our share of fights along the way, but we're in a much more solid relationship these days because we learned how to talk about money, and how to align our financial goals.

That's the crux of this post, in two simple steps: learn how to talk about money, and learn to align your financial goals. If you can do those two things, you've done more than most couples, and you've done a lot to keep your relationship on solid ground.

1. Sit down and talk about financial goals and values. Many couples often neglect this step, even if it seems obvious and commonsensical. But because talking about finances can be uncomfortable, they leave these important things unsaid, and often don't even think about it individually. They have goals and values when it comes to money, but they're not examined. That's a mistake, as one person might want to be frugal in order to save for future goals, while the other might like to spend and enjoy things now, while the getting is good. The differences often come from different upbringings, and they can be emotionally charged (see next step for more on this). It doesn't have to be difficult, though. Just tell your partner you'd like to

sit down and have a talk about the future — what your goals are and how you can work together, as a team, to achieve them. In the beginning, just start spitting out different things each of you wants — a house, kids, college education for the kids, a healthy emergency fund, nice cars, travel each year, nice clothes, gadgets and computers, etc. Then start to prioritize, and see if you can come up with things in common. If you want different things, it is important that you talk about why, and consider the other person's desires. If that's what makes the other person happy, you should want to make them happy — that's the basis of a good relationship. But relationships aren't one-sided, either, so you should be able to be happy too. The point is that both sides should be considered, and you should look for a win-win solution or compromise so that you can both be happy. It might take a few meetings to get to actual written goals, with a timeframe for each, but that's where you want to be eventually.

2. Remove emotions from financial talk. From your first meetings about financial goals to your subsequent weekly talks (see Step 5), it's important that the two of you stay calm, don't get hurt or angry over any of the issues, and try to look at these issues objectively. Often financial issues are tied up in all kinds of emotional issues, stemming from childhood, from issues of security to feeling like your way is better to feeling hurt if your way of spending is criticized in any way, and much more. These emotional issues are all tangled together with financial issues, and it's important that you untangle them and just deal with financial goals and habits. First, don't use emotional, accusatory, or inflammatory language. Don't blame the other person or even be negatively critical. Simply talk about your financial goals, developing a plan for getting to those goals, developing a system for dealing with finances, and so forth. Also try not to feel like you're under attack if the other person talks about your goals or habits — let this be an open discussion, and if you feel under attack, stop and take a breath and remember that this isn't a discussion about you personally but about how the two of you are going to meet your goals. Again, think of this as a team effort, not as a you-vs-me effort.
3. Come up with a plan to meet your goals. Once you're able to come up with common financial goals (a huge step — celebrate!), you need a plan to get you there. This will take into account your joint income, your debt, your savings, how much you can put towards debt and/or saving each month, whether you want to cut back on certain things in order to meet your savings goals, how long you want to give yourself to meet financial goals, and so forth. Start by having a definite timeframe for each goal, and then figure out how much you need to save (or pay towards debt) each month to get to your goals. Create a spending plan (if you haven't yet) for each month, and see if you can adjust it to meet that monthly goal. You might need to cut back on

some things, or earn extra income, or both. Or you might discover that your goals aren't realistic and you need to cut back on them, reprioritize, or push them back a bit in order to meet them. This plan to meet your goals is how you will align your daily and monthly spending with your long-term goals. It's also a great way to resolve minor short-term disputes — you should definitely buy fewer shoes, and I should buy fewer video games, so we can buy that house in three years and travel to Europe in two years.

4. Develop a system for finances that works for both of you. In order to put your financial plan into action, you'll need to figure out how you're going to pay your bills, pay debt, deposit into savings, have money for various spending needs (like gas and groceries and eating out), and so forth. Someone will have to take responsibility for each part of the system (it's better if you're both involved, but you should find what works best for you as a couple). One person might go to the bank while the other updates your financial program (like Quicken or Money) or your checking register to make sure you're in balance, for example.
5. Have weekly financial meetings. This is very important, and it's a step that many couples overlook. Just because you have common financial goals and a plan and a system doesn't mean that everything is fine. If one person takes responsibility for the finances, for example, and the other is out of the loop, then there will likely be problems down the road. I've known several couples like this — one partner took care of the finances and the other was blissfully ignorant ... until it was revealed that they were way behind on payments and would soon have to file for bankruptcy. That wasn't a good time in their relationship. To prevent problems like this, have a weekly meeting where you sit down and talk about finances. You can review your accounts, your spending plan, what is coming up in the next few weeks that you'll need to budget for, any problem areas, what to do with your annual bonus, where you are with your goals, and so forth. Make sure you're both caught up on everything, and that you're working well as a team.
6. Above all, stay positive and be honest. Remember: you're a team. You have the same goals and you want each other to be happy. Team members can help each other out and encourage each other, or they can rip the team apart by being negative, by blaming, by working against common goals. If you always stay positive, you'll succeed as a team. Be encouraging, stay focused on solutions not blame, and make sure love is the foundation of everything you do.