Financial Planning for Newlyweds

Congratulations on finding someone to share your life with! Along with all those special moments you will share throughout life together, you must learn how to share your finances and financial goals. Here list of actions you can take to better organize and minimize financial difficulties by being well prepared throughout all stages of life.

Develop a joint budget.

Begin by calculating your combined income and subtracting your monthly expenses and debt repayments. Determine how much to contribute regularly to an emergency fund, savings, or investments. Just be sure to decide together where any extra funds will go.

Joint or separate accounts?

Determine how to manage joint and separate finances. Will you open a joint account to pay joint bills, but still own separate accounts? How much will you save? Decide who is responsible for paying the bills and completing other financial tasks.

Change your beneficiaries.

After tying the knot, be sure to review all your investment accounts, savings accounts, 401(k) plans, IRAs, insurance policies and other accounts and review your beneficiary designations if you want your spouse to own these assets should something happen to you.

Calculate Your Joint Net Worth.

It's important to understand each other's financial situation. Calculate net worth by using bank statements, investment statements, credit card statements and other documents to determine your combined assets and your combined debts. Obtain copies of your personal credit reports and study them together.

Make a will or update your existing will.

Even if you already have a will, you will need to update it upon marrying. Estate laws differ from state to state, but without a will, surviving spouses without children usually retain one-third to one-half of the estate. Be sure to review your will every three to five years to make sure it addresses your changing circumstances.

Review your insurance coverage.

Review all insurance policies for under-coverage, duplicate coverage, or lapses in coverage. You might also save on some insurance premiums if you combine policies. Discuss purchasing or updating your life insurance policy with your financial advisor to provide for your spouse in the event of an untimely death.

Minimize taxes.

Review your tax withholding and your methods of investment, to minimize taxes and maximize your retirement savings. Accounts like workplace savings plans and IRAs can help you meet long-term goals. Earnings in tax-deferred accounts such as these compound faster than those in taxable accounts. This is because all your potential earnings remain in the account tax deferred—adding to your earning power until you withdraw them. Contributions to these types of accounts are made with pretax dollars, which can reduce your taxable income, or you can deduct the contribution when it's time to file your taxes. If each of you has a workplace offers a 401(k) plan or 403(b) plan, contribute as much as you can—at least enough to earn any company-matching contributions. If only one of you—or neither—has a workplace plan, an IRA offers the same tax deferral, and you may be eligible to deduct your contributions from your tax return. People who are self-employed may have other options for retirement saving in addition to an IRA.

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