Lee: Nickel and Dimed. This is Stay Happily Married Episode Number 209.

Announcer: Welcome to Stay Happily Married, your source for weekly updates on the latest tips and advice to build a happy and healthy marriage.

Lee: I'm Lee Rosen and I'm your host today. Welcome to the show.

Do you and your partner have different financial goals for the future? Marriage means joining two households, two lifestyles, and two bank accounts. What happens when a shopaholic and a penny pincher get married? It's a financial catastrophe.

All couples, whether they're newlyweds or marathon marriages, have arguments over money. How can a couple begin to plan for their financial future together when they can't stop arguing over this month's credit card bill?

Who better to give us insight into making marriage and finances work than someone who deals with divorcing couples? Phil Rusnak is a registered investment advisor and a certified divorce financial analyst. Phil started Divorce Settlement Solutions after three decades as a financial planner and now practices in Chapel Hill, North Carolina.

Phil sees a real need for couples to have a sound financial picture of their lives before it creates trouble in their marriage. Phil, welcome to the show.

Phil: Thank you, Lee. Glad to be here.

Lee: I'm excited to talk about this topic today. What are some of the dynamics you're seeing with couples when it comes to the handling of the money?

Phil: First off, marriage introduces a lot of changes, especially in a new couple's financial situation, that affects all the aspects of their life. There are different types of financial personalities. I call them personalities. We see the spender versus the saver. I call them the 'financial odd couple'. You have one person who wants to save and the other person who wants to spend, and in a marriage it's a struggle. You always wonder who's going to win, the spender or the saver, and usually it's no one.

Then we have the controlling party. That's usually whoever controls the gold wins. I'm sure you see that. Problems sometimes occur when the spouse's ego gets in the way, especially in today's society where women not only contributing to the family but they're also the breadwinners, which a lot of times doesn't sit well with men. If a man isn't completely comfortable with his wife being the breadwinner, that can cause them to feel less secure and puts a strain on the marriage, because it's all about power. Money has power connected to it since the beginning of time, and it's a control issue.

Then we have the values. That's how we were brought up. We were brought up in different ways. Some people may have come from a generation where they were taught to save because your parents may have gone through a depression. Right now it's, "Me. I want it right now. It's for me only." When couples have different values, it causes a concern and leads to conflict. Women want an equal partnership, and a lot of times men just don't want to take the lead because that's how they were raised.

Then we have the gamblers. There are really two types. The first one, the one that no one wants to talk about, is going to the casinos and spending money on the side or the poker games at night. That can ruin a marriage.

Another one is what I call the Hope Plan. It's really no plan. People just save and then they hope that they're going to have money when they go to retire. That usually won't work at all.

The last one is the rollercoaster type personality. People love to watch stories about the lottery. Everyone's winning the lottery. People think that lottery winners are the blessed but that's not what happens. A lot of times, many lottery winners are either in bankruptcy because they don't know how to manage their assets or they become divorced because marriages seem to do better when incomes are stable. They can't handle a lot of those highs and lows, which are devastating to the marriage.

Lee: You've nailed it. Those are definitely the personality types that you see going around with people handling money. That spender/saver thing, I just see that conflict all the time. That's fascinating. The Hope Plan, I can't tell you the number of people that I've met that that's their plan, hoping that things work out. You've nailed it.

Let me ask you this. What are some of the problems that you see married couples struggling with? They may not have even realized it yet, I guess, but what is it you see as an expert?

Phil: I usually see five problems. The first one is that people don't know how to save. Number two, they're uncertain about how to manage their earnings. The third one is they don't know how to plan or what to plan for. Four, which we all know about, is accumulating huge amounts of debt. But I see the biggest problem that they're struggling with is the lack of communication about money and the value of money.

Lee: Right. Let's start at the top of that list. They don't know how to save. That's very interesting. What do you mean by that? I think we all assume that you save by putting money away. What are you talking about there?

Phil: There are three phases in a person's life, financially speaking. There is the educational phase where we learn how to educate ourselves and get a job or a profession, and hopefully we're going to land that dream job and we find out we get a paycheck. The second phase is the working phase where we actually do work for a living and get those paychecks. The third phase is the retirement phase.

When we get those big paychecks and we don't know what to do with them, usually what happens is people go out and buy large ticket items and then they realize that they don't have enough left over to pay for the rest of their bills. If we don't learn how to systematically save over time, it can lead to a lot of problems.

A lot of times people are saving according to the newspapers and headlines and magazines. Let me explain to you what I mean here. Newspapers and magazines are in the business of selling papers and magazines. They don't have a clue about an individual's financial circumstances. If you pick up a magazine, Money Magazine, for instance, and invest in all top mutual funds that they say are the greatest and best at that moment, you could be headed for disaster. Number one, those funds with the high returns may have already peaked and you may be headed for the bottom. Number two, your risk tolerance may be totally different than what is needed to invest in that fund. Your risk tolerance may be conservative/moderate, and the fund is truly aggressive/speculative.

Lee: You said that people don't want to plan or what to plan for. Are you talking about planning for a vacation or are you talking about something else?

Phil: I'm going to talk about planning for a vacation. Many people spend more time planning for the next big vacation than they do planning for retirement. They don't realize that one-third of their lifetime will be spent in retirement. You still have costs of living that don't stop, and then the big question is where they will get the money to live on when they're forced off the workforce because of their age or maybe for poor health reasons.

I always tell people, "If you save something you'll have something, but if you save nothing you're going to have nothing." This holds true not only for retirement. When you get out of school, maybe you want to buy your first car or you want to put a down payment on your new home, but then you have children and the costs of raising them, and then you have college costs. You have to have some money set aside in some sort of a savings plan, set aside and in force to save for those different life situations.

A savings account is a lot different than a checking account. People say, "Well, I have a savings account," and I'll ask them, "Do you pay bills out of that?" They'll say yes and I'll say, "That's not a savings account." A true savings account is an account that you have earmarked as a savings account.

Lee: Right. You mentioned debt as one of the big problems. There is no question that debt is a big problem. Lots of people accumulate huge amounts of debt. What's happening with these couples where the debt just starts to pile on and they aren't doing anything about it or they aren't able to do anything about it? Where do you see that going?

Phil: You can read the headlines in newspapers or magazines, or even when you turn on your computer. It shows that Americans are up to their eyeballs in debt. The debt management business has become one of the fastest growing industries today. Our children are being bombarded to apply for credit cards from credit card companies starting in high school. I remember when my son went to school and before he graduated high school, he was being solicited by credit card companies. Many people think that when they get a credit card and it has a limit on it, they just took a pay raise. And I said, "No, that's not a pay raise. You have to pay it back."

We have school loans, car loans, home loans, furniture loans. The list keeps going on and on. Again, we are people who want what we want now, not save over time to buy it later. It's an instant gratification society. I tell clients that if you have more going out then you have coming in, your upkeep is going to be your downfall. When I grew up, we had an understanding that you pay as you go. It seems like today it has changed to where we owe as we go.

I don't remember where I got this thought, but it made a lot of sense to me. It says, "If we don't break the bad habit of debt through earning more, we have to break it by replacing it with a better one." Debt is a huge issue. It affects everyone, single and married people.

Lee: Right. I see it everywhere I turn. You are absolutely right. What do you see as the fallout in marriages when the debt is out of control? What have you seen with your clients?

Phil: They don't know where to go. A lot of times they hide it from one spouse. They're embarrassed. I call it The Ostrich Syndrome. They hide their head in the sand like an ostrich by foolishly ignoring their problem while hoping it will magically vanish.

In reality, the ostrich does many things but it doesn't hide its head in the sand. It's just not one of them. It's pure myth. When they're financially out of control, a lot of people are just embarrassed and they don't know what to do. Instead of ignoring the problem, they should seek help, because without help their problems will just compound.

Lee: Right. What a mess. Let me ask you this. Is there ever a point where the couple's financial situation has just gotten too awful and there's just no way they can recover?

Phil: Yes. When we go to get credit, everyone wants to know your credit scores. You should have no more than 28% of your total income needed for a mortgage payment, including the principal, interest, taxes and insurance, but you should also have no more than 36% of your total income needed to pay your total debt, which includes your mortgage, your credit cards and loans.

When people just can't recover, at first they try to take two jobs and then three jobs, and then they put their house up for sale or maybe they just give it to the bank. Well, that can affect their future credit and there are a lot of huge problems because of that. So again, I always say to seek advice before you make some sort of a move that you would regret later on down the road.

Lee: How can folks stop and take inventory and learn what they have to do to manage to get themselves out of debt and get themselves back on the track?

Phil: They have to learn to manage their earnings and seek financial help from not just any advisor, but a knowledgeable advisor. I would suggest someone that's been around through the tough years and has been through some of the crashes. I'm not taking anything away from a new person coming right out of school, but a lot of times their investment personality is more aggressive than someone who needs to be more conservative-minded in their approach.

Lee: There are all these online services now that theoretically can give you financial advice, things like Mint.com. Why is it better to talk to an expert like you than it is to use one of these automated services?

Phil: Lee, how many times have you called a company and it says press one if you want this, press two if you want that, press three if you want that? It gets so redundant. We get very confused and then we get aggravated and we hang up. When you want to buy a house, you can go on a website and pull up a lot of facts and information about the house. You can even have a mortgage calculator there.

You still will call that realtor. It's not like kicking tires, but you really want to see what the moulding looks like and what the house and the framing is, and the issues of the house. I just like to talk to real person and ask a lot of questions because there isn’t a cookie-cutter approach to investing dollars and helping people.

Lee: If I'm going to go and talk to someone like you, I'm going to talk to an expert, a financial adviser, what do I need to be prepared to talk about? What's going to happen?

Phil: There are a few key areas. The first one is you want to talk about bank accounts. You want to know if you should have a separate account or joint account, or should you have a combination of a separate and a joint account. Sometimes you'll just want to have one account, and then it comes in with the control issue. I would each have a separate account, but have a joint account to pay the bills out of and then they can each have their own discretionary account.

Second is creating a budget, which I believe is one of the biggest things that's important in a marriage. If you have more going out than coming in, your upkeep is going to be your downfall. You have to take the time to sit down with your spouse and look at the combined cash flow, what debt payments you have, how much you can save, where can you save some money? You have to answer these questions together to develop a realistic budget for your married life.

Three, you have to plan for the unexpected. You can't just assume that you're going to live to retirement and be happy. You might have an untimely death. You might become disabled or have health issues. You always want to take advantage of your work plans first. Also, long-term care is huge nowadays.

My mom has early-onset Alzheimer's and we tried to get long-term care, but at that point in time she didn't qualify. Now it's up to my brothers and I to help pay those huge costs.

Then we want to make sure they look at retirement planning. Always take advantage of your current employer's plans, a 401(k) or a 403(b), or if you're self-employed, an SEP or Simplified Employee Pension plan. You want to look at the beneficiaries to make sure everyone is protected.

The other thing is to talk about it. Again, it's communication. Couples find it hard to talk about money which can lead to problems down the road. Don't let small problems or assumptions grown into huge problems. Be open with each other and talk about your concerns. If one is bringing substantial debt into the marriage, don't hide it. Be honest and come up with a plan that's going to pay it off. No two people have identical values when it comes to money, so just be open and have those communication lines open.

Lee: Good advice. You've obviously seen and helped a lot of folks that are going through divorce and have dealt with their finances. You've got good ideas, I think, for helping people to stay on track and keep their marriages working. We've covered a lot of it today. Any other words of wisdom before I let you get back to helping people with their finances?

Phil: One word. Procrastination. I call procrastination the thief of our tomorrows. We are always putting off 'til tomorrow. We can talk to someone and say, "How many tomorrows are you willing to put off before you start taking advantage of what's out there today?" If you can grasp the procrastination and embrace it, and then turn it into an action plan and get advice and communicate, you'll be okay.

Lee: All right. Great. Philip, thank you so much for talking with us and for being on the show today. I really appreciate it.

Phil: Thank you, Lee.

Lee: You can find out more about Philip Rusnak and his financial services. You can call his office at 919-523-6254. They're located in Chapel Hill, North Carolina.

Thank you so much for joining us today. I hope you will join us again next week. For more information about this show and future episodes visit us at StayHappilyMarried.com.

I'm Lee Rosen. Until next time, Stay Happily Married.

Announcer: Thank you for joining us today on Stay Happily Married. If you'd like more information, please visit us on the web at StayHappilyMarried.com.

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