http://www.today.com/

Weddings

Before saying 'I do,' take these 5 financial steps

Anna Robaton
Special to CNBC.com

In the 14 months leading up to their wedding last September, Howard Gutman and his fiancé did what many other engaged couples do. They got down to the business of choosing a venue and hashing out other wedding-related details.

The two also met with a financial adviser to discuss delicate money-related issues, such as whether they would establish joint accounts or maintain some degree of financial separation.

Joe Raedle / Getty Images, file

Before slipping on the rings, have a talk about financial matters, financial advisers say.

"We talked about all these life events that were coming up over the next five years and balancing what we want with how we get there in terms of savings," said Gutman, a 32-year-old management consultant who lives in New York with his now-wife, Lauren.

Financial advisers say it behooves couples to discuss important financial matters before tying the knot. After all, money is often a big source of marital conflict. Yet many engaged couples avoid having serious discussions about money, because they worry about stirring up conflict at a time that should be fun and exciting, among other reasons.

"One of the No. 1 causes of divorce is finances," said Maggie Kirchhoff, a certified financial planner and vice president at Wisdom Wealth Strategies. "So if you can be completely honest upfront, you are setting yourselves up in a positive way."

Here are five steps to take before exchanging vows.

1. Talk about financial goals and prioritize shared goals. One partner may hope to retire early, which means both people may need to make sacrifices by spending less and saving more. Addressing issues such as whether to rent or buy a home will also help couples get on the same page financially.

One easy way to begin the discussion is for each partner to write his or her goals and financial worries on index cards, said Mary Claire Allvine, a certified financial planner and author of the book "The Family CFO: The Couple's Business Plan for Love and Money." She is also a principal at Brownson, Rehmus & Foxworth.

"Each partner writes out their goals and worries and then literally lays their cards on the table and listens to the other person," said Allvine, who encourages couples to work toward three shared goals at any one time and reevaluate periodically. "Typically, people are getting married because they have a lot in common."

2. Disclose all debts, assets and financial obligations. Many advisors who work with engaged couples encourage each partner to create a net-worth statement. Doing so provides couples with a clearer picture of their overall financial condition and fosters discussion about how to handle certain issues, such as paying off student loan debt.

Many young adults come into marriages saddled with student loan debt or bad credit. In addition, people who have been previously married may have financial obligations to a former spouse or to children from that marriage.

"Everyone has different views about debt," Kirchhoff said. "One of my clients had copious amounts of student loan debt and works as a public defender.

"It was important for her to say, 'This is my debt,'" she added. "So we took that off the table for them as a couple."

3. Discuss whether to fully merge financial lives and delegate certain responsibilities, such as bill paying. Some married couples opt to establish joint accounts only for specific purposes, such as paying household bills or saving for a down payment on a home.

Some couples want to share responsibility for expenses, while others prefer to divvy up expenses. Advisers say it is important to have honest discussions about how much "financial togetherness" each person wants.

4. Make a budget. Money can be tight at the beginning of a marriage for young people just getting started in their careers. Having a budget and sticking to it can help avert fights about overspending and racking up credit card debt.

Lili Vasileff, a certified financial planner, suggests setting aside time on a regular basis to talk about money. Doing so, she said, allows each partner to prepare for such meetings, emotionally and otherwise, and makes money talks routine.

"Set aside time to talk about money issues so that it becomes routine," said Vasileff, president of Divorce and Money Matters. "This also minimizes the emotional impact of being caught unprepared to discuss money."

5. Think about estate planning. This may seem like a drag, but newlyweds should make it a priority to draft certain legal documents, notably a last will and testament, durable power of attorney, health-care proxy and living will, said Douglas Boneparth, a certified financial planner and chief operating officer at Life and Wealth Planning. A health-care proxy, for instance, permits a specific person, often a spouse, to make medical decisions on behalf of a patient who is unable to act on their own behalf.

"It takes time to do this, and you have to shell out bucks," said Boneparth, who suggests working with a trusted legal professional on estate planning. "It's no fun, but it is high on the importance scale.

"This is sleep-good-at-night stuff," he added.