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# Money & Couples – Why You Must Get This Right!

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**Keith:** Welcome to the Empowered Investor. My name is Keith Matthews and I'm joined by my co-host, Marcelo Taboada. Marcelo, how are you today?

**Marcelo:** Keith, I'm doing great. I'm super excited about today's episode. You could call it a juicy subject, so I'm excited about that. I was super impressed also with the episode we just did with Sooyeon. I think that was amazing for listeners. It's just such a relevant topic. And I'm also excited about the library we started at the company. So that's exciting. Marcelo, tell us a little bit about how you started it, what you're thinking, and what you'd like to accomplish with the library.

**Marcelo:** I've always been a big reader. I'm always bugging the guys here in the office to read more, so I pester people about that. They know that, but it's all about financial empowerment and to educate people. For us to become better investors, better human beings, better advisors at large. And yeah, I thought it was a great idea. And the company's growing, we're getting young people in here and also for our clients. Sometimes we discuss subjects with clients and then we can say, "Hey, we have a great book. Here's a book. Take it, enjoy it, bring it back if you want, give it to a friend, whatever."

**Keith:** Yeah, it's a great initiative. I suspect we'll have about a hundred different books within the next month or two. And whether they're internal folks reading them or whether we hand them out to clients or contacts for a good read, I think it's a fabulous initiative.

**Marcelo:** Absolutely.

**Keith:** Which brings us to today's subject, Marcelo. This is an interesting one: Money and couples. Yeah, money and spouses, money and partners.

**Marcelo:** I'm learning that the hard way. Not bad, but there's a journey here.

**Keith:** Why are we talking about this subject, Marcelo?

**Marcelo:** I think couples have to have a common vision and a lot of the times money values do not align with that common vision for people in a couple. And this could lead to friction and conflict and managing finances as a couple is hard.

**Keith:** Absolutely. We're going to talk about this throughout the show. There's different age categories. There's different phases. There's different times in relationships where individuals have to be sensitive to money issues and have to understand how to work together. Marcelo, we've got some statistics here. What happens if money finances are not aligned together? In other words, individuals don't share common goals around how to think about money.

**Marcelo:** It leads to friction and conflict, and it could end up in divorce. Which is the worst-case scenario, right?

**Keith:** And so when it comes to divorce, obviously there are national statistics, but there are also stats that you've picked up that speak about what percentage of divorces were caused by financial friction.

**Marcelo:** Yeah, which is a big number. So all these numbers come from a very reliable source, which is Stats Canada, and then they've been compiled by a reputable law firm. So 40 percent of marriages end up in divorce in Canada. So that's the statistic at large. I think everybody knows that it's common knowledge. Then we have from those 40 percent that do get divorced, an average of 25 percent of those couples report that money problems played a key role in the divorce. So it is definitely one of the things that people take into account, or it could be even something that adds up to other problems. And sometimes it could be the main source of the divorce or the conflict.

**Keith:** So one in four partners that get divorced point to financial stress, financial worries, financial not sharing the same visions.

**Marcelo:** And that could be debt. It could be a lack of agreement on how money is spent, how money should be handled, how money should be saved, different types of purchases that are done throughout somebody's life or the life of as a couple. It could be a house. It could be a car. It can be somebody hiding money in the relationship, not being fully transparent. So those are the things that add to this conflict.

**Keith:** Yeah. So we're going to spend today's episode kind of walking through what we see as advisors. Because we do see a lot and trying to add some perspective to help individuals, whether they're accumulators or whether they're retirees, but help them walk through how they'll make better decisions together.

**Marcelo:** Absolutely.

**Keith:** So Marcelo, let's discuss some of the main issues that lead couples to financial conflicts. At the foundation, at the core, what's going on here?

**Marcelo:** Yeah, so we've identified three, and I think they're pretty inclusive. So the first one is each person has a different relationship with money. So that could be from their upbringing, how money was discussed in the family, how your parents handle money, how your parents discussed with you how things are being purchased. So that's the first one.

Then the second one is that the core values about money are just different. Some people have personality traits that maybe bring them to manage money in a different direction and that could cause some conflict. And then that brings us to the third subject, which is every person has a different financial DNA. So a lot of the things it's from how your parents discussed it, how your personality comes into play. And then your experiences as a human being. Just to give you an example, I work in this industry now, but you grabbed me 15 years ago and I would live paycheck to paycheck. I wouldn't save anything. I would buy whatever I wanted. I was just horrible with money. I had to learn through the years. Also, my wife helped me a lot during this process, but it's not intuitive that just because you have a good personality, it's going to carry on through life, right?

**Keith:** So Alex straightened you out.

**Marcelo:** Yep.

**Keith:** So your point about money and how you grew up I think is a huge one. In fact, it's one of the questions we ask when we meet people initially who are expressing an interest in potentially becoming clients. We call that the discovery meeting. And as we go through that process, we actually try to figure out what did their youth look like? What's their relationship with money? And often it continues throughout their life. So if you're a natural saver that will lead to certain money behaviors. If you're an excessive spender and you've always been that way that will lead to other types of behaviors. And if you take a natural saver and an aggressive spender, there's a good chance there might be some conflict later on, financial stress and strain on the relationships. And I think it's important to understand those foundations.

**Marcelo:** I learned this a lot from dealing with my wife's family. Alex's family, her grandfather, they lived through World War II in Italy coming to Canada. So it's really interesting how psychologically they view money and how that is attached to the way they acquire resources and carry themselves when they purchase things. So it's really common to see people who have been through the traumas of war to have very different attitudes toward money. Just to give you a very practical example. And you have other countries where they haven't been through war and people may have a different attitude towards inflation or money or their psychological relationship to money.

**Keith:** I'd go as far as saying there were real issues that individuals had to deal with. You go back 80, 90 years ago and even 50, 60 years ago. In the last 30 years, however, we've seemed to have been on this sort of continual evolution of good times, relatively speaking. Now we're seeing inflation pop up, and so people are a little bit more worried about that type of an issue, but there haven't really been any major issues. So you haven't had those major DNAs being shaped in families to the extent that they were 30, 40 years ago to the story of your family's grandfather coming from Italy in World War II.

**Marcelo:** A hundred percent. What about you? How was your upbringing with money?

**Keith:** So my family was probably always on the saving side. Again, it's a generational thing. My father comes from Australia. My mother came from a small town in Quebec and they had to be very careful with money. I was always brought up that way. My wife came from a background where there were perhaps a few more resources. There were other hardships that they went through, but they learned to say it's important to enjoy life and spend a bit more money now. And so what's interesting from our perspective there, we had to come together as a compromise a little bit more. And that's what's created for my wife and I what we think is a pretty good setup.

**Marcelo:** You also grew up abroad. You lived abroad a few years, right? Did that change your experience and how you view money?

**Keith:** I grew up in Sri Lanka, Singapore, and Australia. So the first two, Sri Lanka in particular, was a developing country in the 70s. When you live in developing countries, I think that's a natural foundation for understanding how people have to live under hardship. And so I saw that with my own eyes. It does mark you and it does allow you to appreciate things in a different way. Marcelo, let's switch gears a little bit and discuss the four core principles. Money-value personalities. This is critical to figure out where you're at sometimes with your partner, what personality they have because it does help speak to whether it's going to be longstanding. And if not, what you might need to address.

**Marcelo:** A hundred percent. And we have to take this a little bit with a grain of salt because we're trying to box people into different categories, but it doesn't mean that they're mutually exclusive, right? Some people will have maybe a bit of time. Two aspects. So we have to take this with a grain of salt.

**Keith:** Just like with personality tests, right? Some people are introvert extroverts, a hundred percent, of course, but they're nice ways to think about it.

**Marcelo:** Correct. So the first one is spenders. These are the people who enjoy spending money on themselves and others freely. Think about the guy who goes out with friends and picks up the tab and is just not thinking about it. It's just having a good time and paying for it. That's the first one, that would be spenders. Then you have the savers. Savers believe in the importance of cutting costs and setting aside money. Think about your person who is always thinking twice about buying something. And he's very conscious about every single purchase. I would put them there. Then we have amassers. These are the people who like to save money but also invest money and build wealth. And like to have financial security for the long term. So they're not only saving for the sake of saving, they're saving and they're thinking about a long-term goal. And we have avoiders. These are the people who don't want to think about money, talk about it, or manage it. They just live life and don't think about it. I saw a joke on the internet and it said something like in a relationship there's two types of people. There's the person who builds the spreadsheet and obsesses about it. And there's the person who doesn't care about the spreadsheet but benefits from it. So I think that summarizes the way I manage finances in my life.

**Keith:** Those are four great categories, Marcelo, and a great little anecdote. So what happens when these different personalities get married or choose to become partners?

**Marcelo:** Wait, before we move on, you have to tell me, where do you fit here?

**Keith:** Oh, I would have considered myself a natural saver, but thanks to my wife I think we have a combination of save and spend. And I think we do it in a reasonable fashion now.

**Marcelo:** I used to be a big spender and now I've become an amasser. Thanks to Alex. Big kudos to my wife for that.

**Keith:** Oh, very nice, very nice. Marcelo, what happens if you take these two different money personalities and bring them together either in a partnership or in a marriage?

**Marcelo:** It's simple, Keith. So you get increased risk of conflict. It creates strain, it creates anxiety, there's an increased chance of divorce overall.

**Keith:** Yeah, of course. Now, we're talking about if we have extreme personalities and like you said, nothing is black and white. So what do these conflicts look like? And we do see that with some client meetings and some scenarios. Let's talk about the real basics and then get into the heavy-duty ones.

**Marcelo:** So you can have disagreements on spending and savings goals. I think that's a broad statement, but that's mainly the first one. Then you can have arguments and conflicts and that creates anxiety in the couple. And then you have the really bad behaviors in a couple or in a relationship, which is lying about money, hiding money, hiding assets, not being fully transparent. Then being unwilling altogether to discuss money, like not being able to sit down and have a conversation about money. And then it's just creating a lot of anxiety and conflict. And it's just not going to be conducive to a good relationship.

**Keith:** Yeah. I would divide them into sort of two categories. The first ones that you mentioned are ones that every couple, every partnership goes through, disagreements about how to spend money, how to use your resources. But the more serious ones are the ones you mentioned at the latter stage, which is when couples are misleading and it turns to lying or hiding assets, unwilling to discuss it, being passive-aggressive. And those are issues that are more strained, but we do see it, unfortunately, in the money world. That's why we're having this discussion. So if this is so dangerous and so difficult for couples, Marcelo, how is it that we actually get there? How do people get to these spots where it's challenging?

**Marcelo:** So money is, first of all, it's very emotional. It's how we relate to the acquisition of resources. It's how we take care of the people we love. So it's just a hard subject to talk about. And we go back to one of the first things we talked about: your relationship with money matters, and it matters a lot. Every single person has a different relationship with money. It starts from a young age. So if you have different money relationships and people relate to money differently, this will create trouble and create conflict, create anxiety. It's not conducive to a very safe way of carrying a marriage.

**Keith:** I agree a hundred percent with you, Marcelo. So much of this is tied to, again, how you were raised and how you feel about money and your relationship with money. So what are the things that couples can do to increase the odds for long-term success? And we've spoken to a lot of couples about this. Let's start going down a sort of list of recommendations.

**Marcelo:** I think the first one is: just be aware that you have differences, and you have to compromise towards the middle. That starts with transparency with the understanding that you two have different money values or different types of personality when it comes to money. It takes a lot of courage to bring it to the table and you have to sit down with your partner and discuss it as a couple and have an honest conversation. So if you have the ability to do that and the ability to understand that my partner may have different money values but we have to have a common goal, and if there's some compromises to be made, I think that has to be discussed.

**Keith:** Yeah. So understand, discuss, compromise, and clearly there's going to be times where people, especially when they're younger and they start trying to identify what their partner and spouse looks like, might actually have to have some really hard conversations. As we mentioned, it's about being transparent, communicate, and understand. We've got a sort of series of action plan items, and we've divided them into two, Marcelo. We've got action plan items for accumulators. What should individuals between the age of say 25 and 50 be doing? And then we've got some recommendations for retirees. So let's talk specifically right now, Marcelo, about accumulators.

**Marcelo:** Yeah. So as a baseline, you want to create one financial ecosystem where both partners can live, but for accumulators 25 to 60, it's to be a discussion about lifestyle and capital expense and savings goals. Those are the things that you must agree with your couple. Those are crucial.

**Keith:** Yeah. So let's talk about that in relation to an ecosystem. And this is where things might get a little sensitive because everybody has a different belief system, whether couples should be managing their finances together or whether a young couple should have separate finances. There's not necessarily a right or wrong, but we definitely have a preference. So you want to add a few comments around that? The idea of everything from separate bank accounts to separate goals to separate saving rates. What are your thoughts about that? And let's open this up.

**Marcelo:** Yeah. So for accumulators, I would say you have to agree on paying yourself first. If you have retirement accounts, you have to think about it as a couple. You can't just say, "I'm going to save 20% but my partner will only save nothing or 10%." So I think that conversation needs to be had. And you have to have a common goal when it comes to this. After that, you have to agree on the day-to-day expenses. How are you going to manage that? There's differing views when it comes to this, but I think what we recommend is have one account, full transparency where everybody knows what's going on at all times. And if there are some roadblocks or obstacles, they have to be dealt with as a couple. I think it can lead to problems when you start seeing things, "Oh, this is my financial problem," when you're in a marriage and the other person doesn't feel like it's their problem or their goal. So I think for goals and obstacles and everything, you have to have at least a common conversation about how you want to achieve or go over those obstacles together. So that means, obviously, joint accounts, we're not fans of the recommendation. What we do is have one single account, one single retirement goal, and manage these things together.

**Keith:** Yeah, listen, but is that the way you feel most young people are managing their finances?

**Marcelo:** No.

**Keith:** How do you feel that most people are, like when you think about your peer groups out there, how do you feel most people manage their finances?

**Marcelo:** I've seen two extremes. Not extremes, I would say, but I think one is an extreme, the other one is a compromise in between the two. So one would be where everybody has everything separate, like they're married. But one person has their accounts, the other person has their own accounts, and one is paying certain things in a marriage, the other one is paying certain things. So one could be paying the house and the electricity, the other one could be paying his car or the things that he wants to spend. And then they come together and share the cost for the common things that they use. So that's the one that I've seen. The other one that I've seen is like a compromise in between. But what the couple says, "We'll have joint accounts, but we'll also keep separate accounts and they pay proportionally based on the income they make as a household." So if one person makes 80 percent of the household income, they'll pay 80 percent of the bills and the other one will pay the 20%. Those are the two things that I see amongst peers, my age peers, my group peers.

**Keith:** So that's a bit different than what we tend to want to recommend, which is get into the same ecosystem. And I don't have the right answer because I think you can find people doing a variety of different strategies and it works for them. However, I know that when we typically see individuals maybe discussing and having financial strains, it's because they're not on the same page. They don't have common goals. And I'm a big believer that in order to really make things work, again, I'm older than you, Marcelo, and so it's a bit of a generational thing, but I'm a big believer that individuals need one ecosystem, one bank account, one way of doing things. You have one mortgage, you don't have four. You should have one retirement. You should be saving, call it that 15 or 20 percent of your gross family income towards your retirement. And when individuals take on different strategies, "My account, my savings," I can't see how that's good long-term. But I do recognize that sometimes individuals need the second discretionary accounts to allow them the freedom and flexibility to go do the things they need to do. But we see it later when individuals come in sometimes at the age of 50 and they're not on track. So the flip side to all those individuals who say, "Let's just manage things separately," there's a high probability that they'll be seeing an advisor when they're 50 and they're not on track. And they're not on track because they never really bought into a plan. They never really bought into a process.

**Marcelo:** Yeah, absolutely.

**Keith:** You deal with a lot of retirees. Marcelo, what do you think are the big issues with regards to retirees being on the same page financially and as a couple?

**Marcelo:** I think the two things that are the biggest for this group is the spending they're going to be making in retirement, whether that's trips or any new hobbies or any new things that they want to do now that they're living day-to-day instead of going to work and coming back home. And the other one is gifting, giving money to their kids, helping them buy a house, giving money to charity. So these are big spending items, right? Like when you're helping a kid or your son or daughter buy a home, you're not talking about $10,000. We're talking about bigger amounts here. So you have to think about a few things. Do you both agree on doing this? And also, are you torpedoing your retirement plan? Are you torpedoing the sustainability of your portfolio? So these are things that could cause some conflict in this age group.

**Keith:** Right. A hundred percent, absolutely. And we speak about this where we see this concept of gray divorce, individuals in their fifties and sixties getting separated and finally divorced. Often it's not necessarily thinking about the future and trying to plan their retirement. It's about the strains that they have experienced and possibly some of the financial strains as well.

**Marcelo:** Yeah. Another one that I forgot to mention is the downsizing. So you'll see that a lot where one spouse will say, "I don't want to downsize." And the other one will say, "Yes, let's do it and have a bit more flexibility just paying rent." So that could create conflict also because they may have differing views when it comes to this.

**Keith:** You're right. Absolutely. Let's go into a few action plans here. So let's talk about new couples. So individuals that are getting together, meeting each other, and then starting to form a relationship. And by the way, as we know, that's not just individuals in their twenties and early thirties. That could be individuals who are 50, 55, on their second relationship, their second main maybe marriage or partnership. And you're getting to know a new person. So what are the three strategies and recommendations that we have?

**Marcelo:** So the first one is discussing what each of your finances look like. So we pulled out an article here from an author called Erin Lowry, and she calls this process getting financially naked. So pretty much just sitting down and showing everything you have. So this could be how much you earn, how much you owe, how much you spend, how much you save every month, the type of debt you have. Is it a student loan? Is it a credit card debt? Is it a line of credit? All these things have to be put on the table and discussed.

**Keith:** That's number one. I like your analogy of getting financially naked, which is you don't want to be figuring this stuff out four years in.

**Marcelo:** Definitely not.

**Keith:** All right. So what's the next step?

**Marcelo:** Then we have discussed your financial goals together. So this is the time where you sit down and you say, "Okay, what are the goals that we're working for? What type of house do we want to live in? What type of cars do we want to drive? What type of education do we want for our kids? What type of trips do we want to take as a couple?" So all these big-ticket item spendings, from that to even discussing how are you going to buy groceries and these types of things, these are the things that need to be discussed. And you have to put a goal to them and see if they're compatible. And if they're not, you're going to have to find a compromise. So that's number two.

**Keith:** Yeah. Okay. That's perfect. So that's discover each other and then set your goals together.

**Marcelo:** Yeah. If one likes to go out for dinner five times a week, but the other one thinks it's more prudent to go only twice, you're still getting those dinners in, but maybe there's a compromise there that needs to be made.

**Keith:** Yeah. To me, the goals that you're setting are big goals. Are you buying a house? Yes or no. Making sure you're committed to the same retirement goals. Retirement is not something you start at the age of 45. You start saving for your retirement. You should be saving for your retirement in your mid-twenties. It's something you should be starting the process. So everybody should be on the same page. If you have major expenses that you want to do, you should be able to agree on major expenses. House. Cottage, travel, kids, education for kids. These are all major things that have to be discussed.

**Marcelo:** Yeah. Another big one is a lot of couples have to discuss also if there are situations where they're going to have to help family members down the line financially. These things need to be discussed at this point because you bring that up later, that could put a lot of strain on a relationship and a marriage.

**Keith:** Yeah. So 25-year-olds to 30-year-olds may not be able to have that because it's just so far, you have to look so far in the future. But individuals who are 50, who are having second marriages and second partnerships, should easily be able to have that discussion around, are your parents financially independent? What are the implications if they're not financially independent? Are you expecting to step up and provide financial support? These are things that you don't think about, but they're worthwhile conversations to have.

**Marcelo:** Absolutely.

**Keith:** That's recommendation one, get naked, two, understand your goals. What's the third step here?

**Marcelo:** The third one is how you implement all this. So it's discuss how you will manage your finances together. So are you going to combine finances? Are you going to do a mix of both, having some personal accounts and also a joint account? Then how are you going to budget? Are you going to have spreadsheets? Something that I know some of my friends do, and I try to do it with Alex as well, is we try to have monthly checkups where we sit down, we'll revise our budget, we see where we are, we see where the money's gone. It tends to be conducive to an honest conversation about where we are in terms of goals, money, and other things in the relationship. So I think step number three is where you actually sit down and put the plan to work and actually execute.

**Keith:** Okay, very nice. Those are three great action items for individuals who are getting together and starting to create relationships that are extremely worthwhile. What about retirees? What are the conversations and action plan items that need to be done there?

**Marcelo:** So we talked about the big spending items like retirement visions. It could be we're going to travel the world and all this, like estate planning, gifting. Are you giving to your children? Are you giving to charity? So this is where you actually have to meet with your advisor or your financial planner or your lawyer, whatever it is, and just put those things on paper and actually have a plan to execute them. So that's the one thing we'll recommend. Don't leave this for down the line where you retire in five years, right? Because that may be too late. So it's good to put that on paper and have an action plan.

**Keith:** Yeah. And I think it's good to start the conversation. So I'm right in that sort of category at 58 years old where my wife and I should be and are trying to figure out things like, "Okay, what does retirement look like? What does the next five, 10, 15 years look like?" That whole generation has to understand what are the major expenses you might want to do? Are you both on the same page? Do you both want to travel? And if it doesn't occur and doesn't get discussed, then you might have some strains a little bit later. So I think it's definitely worthwhile having those conversations.

**Marcelo:** Yeah, and I think it opens the door also for having family discussions. Because you can have a situation where clients have three kids and not all three kids have the same earning capability. Some of them may need more help and that could create some tension between them and the parents. So it opens the door for an honest conversation with the three kids and the parents to have a plan on how they're going to help each other in that situation. So one doesn't feel left out or it creates conflict in the family. Because you don't want that, right? You want those last years of your life to be harmonious and being able to have family barbecues and enjoy that quality family time.

**Keith:** You're absolutely right, Marcelo. In fact, there's a few things we've started to do in the last few years, which is having family meetings with more senior individuals with their adult kids, like what money looks like. And the husband and wife have to be on the same page about what needs to be disclosed, how you want to disclose it, how you want to have the meeting. And I think that's another really good point.

**Marcelo:** I also like just to end here, what I've seen personally with people who have plans and discuss these things. These things create a lot of anxiety. But when you put the plan on paper and you really have a goal and everything is set up with clear rules and boundaries, it removes that anxiety because you go on with your life thinking, "Oh, I have confidence that I have a plan." And that adds a lot of peace of mind, especially in those last few years where you should be enjoying the fruits of your labor.

**Keith:** A hundred percent. Listen, Marcelo, we're going to wrap up now. One thing I would say is I don't want to give the listeners the impression that we're marriage counselors because we're not. It's not what we do for a living. But what we do is we see and work with individuals with money and we know that there are some strains out there and we know that there's ways to remedy this and make it work better. So Marcelo, with that, what are your takeaways for today's show?

**Marcelo:** My takeaway is communication. You got to be able to communicate what you want, what your goals are, and you have to be able to compromise. Because if you can communicate and you can compromise, I think those are two very basic ingredients for a very healthy relationship.

**Keith:** I think that's an outstanding takeaway and an outstanding recommendation. The only thing I would add to that is in addition to communication, make sure that you're buying into plans that work. There's got to be the sort of the right savings plans or the right spending plan. One person can't be completely out to lunch and think that's okay.

**Marcelo:** A hundred percent.

**Keith:** So I think if you add that communication with decent objectives and decent goals, I think you have a winning formula. So listen, Marcelo, thank you so much for today's show. It was an interesting one. Very apropos because everybody has to deal with this.

**Marcelo:** Yeah, you can't avoid it.

**Keith:** So thank you so much. And to our listeners, thank you for listening and have yourself a wonderful week. Goodbye.

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