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Joined-up Finances

Being open about money is pretty important in a successful relationship. Secret spending and other forms of financial infidelity can become issues serious enough to threaten your whole relationship. Working towards shared financial goals, on the other hand, is almost guaranteed to help both partners feel more positive about a future together.

Getting on the same page with your budget and savings doesn't have to mean merging your finances completely. This might be an ideal approach for some people, but there are many other ways to share your income and expenses. Here are three alternatives to consider when you're looking at ways to manage money as a couple.

1. Equality rules

With this approach, both of you contribute the exact same amount to your shared expenses – like the rent and bills for your home, groceries and your car if you use the same one. You'll keep the rest of your income to spend on yourself, regardless of who earns more.

Pros

This is a pretty simple way to run things and might suit you best if you're just moving in together or in the early stages of a relationship. All you'll need to do is set up a joint bank account for your weekly or monthly contribution, set up direct debits to pay regular outgoings and each have a debit card for food shopping and other shared costs.

It's also a great way to go if you see yourselves as equal partners in your relationship. If one partner earns more, they won't feel like they're subsidising their other half and the lower-earning partner won't be losing their sense of independence.

Cons

This way of joining-up finances relies on trust. It's likely neither of you will have the time or interest to take a microscope to bank statements just to check that all spending from your joint account is for legitimate, shared expenses.

It definitely helps if neither of you have big debts to manage and are in the habit of living within your means. It's a bit much to expect a partner to share the burden of repaying debts you ran up before getting together. But on the other hand, you could end up feeling like you're missing out on all the fun if you can't afford to join in on a night out with friends or pay your share of a weekend away with your beloved. This could also be the case if one of you earns substantially more than the other.

Making it work

If something changes – like one of you losing your job, choosing to go part-time, taking time off to study, travel or both deciding to start a family – it's important to talk about how you're going to manage financially. When you're both prepared to talk about other options, you'll have a better chance of adapting your approach to sharing, without risking the relationship.

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2. Fair shares

This money sharing system is similar, but instead of making the same contribution to the household budget, each half of a couple base their share on what they earn. So if you're on an annual salary of $40k and your partner earns $80k, they'll put twice as much towards your shared expenses.

Pros

Budgeting on the basis of ability to pay can bring you the advantage of sharing a better lifestyle as a couple. When one partner is contributing more to a mortgage or holiday because they can afford it, you both get to enjoy living in the home and having the experiences you really want.

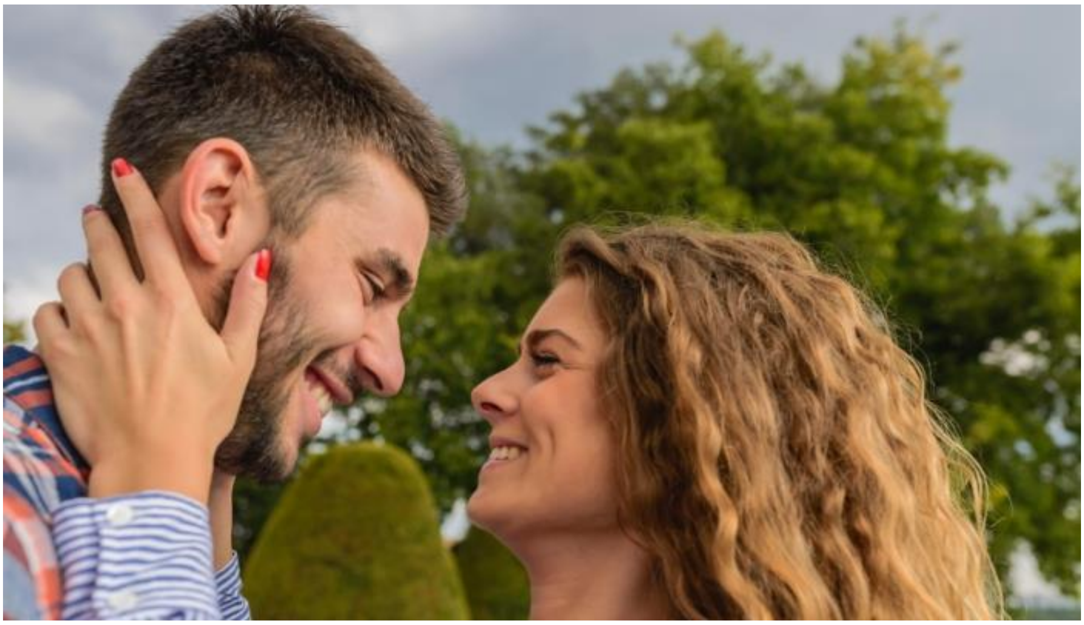
As a middle-ground method for money management, this approach can work well for many couples. You both benefit from sharing finances for your lifestyle, while keeping some income to spend as you wish or save towards your own goals.

Cons

The main drawback here is the higher earning person can start to feel that they're being exploited by this way of dividing up income. And if they don't trust their partner to only spend joint income on what's needed for their household, arguments about who pays for what can start to creep in.

Making it work

The important thing here is to keep communicating so any hard feelings about finances can be addressed early on, before they lead to serious conflict. So if you're being interrogated for every dollar you spend from a shared account or your partner is a bit too generous with the money you share, take time to talk and listen to these issues with an open mind.



Source: Money & Life February 2019

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3. Spend one, save the other

Under this model, you'll cover all living expenses – everything from household bills to holidays – from just one of your two incomes, and save all of the other. Unless you're really good at being frugal, it's likely your larger or more stable income will be the one you live on. If one of you is on a salary and the other is freelance, for example, it's the freelance earnings you'll save.

Pros

If you're both 100% ready to commit to a long-term future together, this could be the right money solution for you. And if raising kids is part of the plan, getting used to living on a single income can free up one of you to stay home without much impact on your lifestyle.

Making significant savings on a regular basis will also give you more options for making other positive changes to your lifestyle. Whether it's a career change, mini-retirement or leaving work for good, having enough saved to replace full-time earnings can open up a world of opportunities for you, as individuals and as a couple.

Cons

As with the other two money strategies, this approach relies on consensus and commitment from both partners to make it work, as well as discipline. And if you're coming at this with very different feelings about money, and what it means to you when you spend or save it, you might find one of you struggles to stick to your strict savings regime. And that can pave the way for resentment and arguments.

Making it work

Even when both of you belong in a gold-star category of committed savers, it can be hard to feel like you're really enjoying life in the here and now when so much of your income is being saved for the future. If you can plan to put just a small portion of that second income towards some spontaneous spending now and again, you can strike a balance between savings goals and the quality of your current lifestyle.

Source: Money & Life February 2019