

“Family” is an expansive and complex term. From partners to children to aging parents and other relatives, there is no one route to successful family money management. It takes discipline and flexibility to navigate ever-changing financial needs.



FINANCIAL ADVICE FOR EXPANDING FAMILIES

Overview

Obviously, managing money as part of a partnership is vastly different than doing so for oneself. Even more challenging is the need to constantly adapt money skills for a growing family. Most people start out on their own, evolve into a partnership, and from there families grow in interesting ways — including complex relationships with ex-spouses, stepchildren, siblings, parents and in-laws.

For couples, it's important to understand from the outset that income should not equate to power. One spouse will almost always out-earn the other, but that should not change the delicate and deliberate balance of two equal partners making financial decisions together.

This is a critical point, because income earnings can swing back and forth throughout a long-term relationship. Stay-at-home moms have created cottage industry businesses that become more profitable than dads with a steady job. Layoffs happen. Illness and injury can sideline breadwinners. Everyone has a role, and those roles can morph over time or change on a dime, based on need and circumstances. Keeping a family financially stable is an all-hands-on-deck proposition, so never underestimate either partner's contribution.

Fortunately, this lesson has become more widely appreciated with each new generation. Today, 54% of all women with a partner earn as much as or more than their spouse. Moreover, nearly one in three millennial and Gen X women are their household's primary breadwinner.¹

Not only is it important for couples to accept that financial management is an equal and shared responsibility, but it can be easier to support each other and achieve goals when they do.

Marriage/Partnering

If you can't agree on money issues as a couple, it's only going to get harder as your family grows. To this point, recognize that there is no one way of managing finances that works for everyone. Some people share all of their accounts, others share some accounts but also have individual accounts, which is common because 401(k)s, 403(b)s, IRAs and annuities permit only one owner. Still other partnerships work cohesively when spouses keep their money separate, either contributing to shared bills or dividing expenses equally or based on income.

It is not only essential to find a solution that works best for your partnership, but be aware that your solution may change over time.



As years go by, it may make sense to combine accounts — or even separate them if money is a constant source of disagreement. As you determine your financial arrangements, consider the following guidelines.

- Young couples often keep their money separate until individual debts (e.g., student loans, credit card balances, auto loans) are paid off and/or credit scores are repaired.
- Together, establish specific short- and long-term goals, such as saving for a vacation and a down payment on a house.
- Determine specific vehicles and amounts to be contributed. For example, a couple may save for a house via separate Roth IRAs, each contributing \$500 a month. They also may save for a vacation through a shared high-interest savings account, contributing a certain percentage of the work bonuses each receives.
- Meet regularly, such as once a quarter, for the specific purpose of monitoring your progress. Support each other to help stay on track, identify any obstacles that occurred that quarter and discuss how you can avoid or compensate for them going forward. Celebrate when benchmarks are achieved — both individual (student loan paid off) or together (vacation goal met). Then set new goals.
- Agree on certain practices, such as how much to spend on entertainment and dining out. Who pays for what? Should you have a joint emergency fund? What is the limit either of you can spend before consulting the other?

“Households tend to divide and conquer. One spouse may take care of the day-to-day finances, while the other handles the longer-term investments. Both spouses, however, need to understand the entire picture of the household finances should something happen.”²

Children/Education

They say there’s no manual for raising children, but in reality, there are thousands — as a single Google search will reveal. It’s a good idea to read up and even meet with a financial advisor so you understand all of the potential financial needs and risks you take on when starting a family. The following are some basic tips. From there, you and your partner should develop a plan that meets your family’s specific requirements.³

- As soon as each child is born (adopted, joins the family by marriage, etc.), be sure to add them to your health insurance plan. For a newborn, most plans provide a 30- to 60-day window to enroll a new child, during which time the health plan may cover them automatically. This is a good thing to investigate before your child is born (or moved from an ex’s health plan), so you know your timeline to complete this task.
- Be aware that even with just one child, your household budget



will continue to change as he or she grows. Young couples frequently are amazed at how much “stuff” they have to buy for an infant. However, that’s a mere microcosm of what’s to come as that child gets involved in extracurricular activities, develops a fashion sense and wants the same videogames and cellphones that his or her friends have. Recognize that whatever your thrifty ideals are at the beginning of parenthood, they will inevitably evolve.

- Before they start a family, a couple may have sufficient life insurance through their employer policies. However, when children come along, they generally need to buy additional coverage for each spouse. Consider expenses that would need to be covered if one or both spouses were to pass away. This includes money needed to continue making housing, utility and debt payments, as well as regular household expenses. It’s a good idea to consult with an insurance agent to help you consider all of your potential needs.
- College is expensive, so it’s best to start saving early. Contributing to a 529 college savings plan can give your money the opportunity to grow tax deferred, so it keeps working as you do. When withdrawn for qualified education expenses, those earnings are typically exempt from federal and, in most cases, state taxes. As your child approaches the end of high school, you may want to consider additional funding options such as scholarships, grants and student loans. However, the less you or your student has to borrow, the better for both of your long-term financial prospects.
- Accept that boomerang kids are a reality. In 2019 alone, 17% of young adults ages 25 to 34 lived with their parents, and that number increased substantially during the pandemic. In fact, in July 2020, Pew Research reported that more than half (52%) of 18- to 29-year-olds lived with their parents. Depending on your child(ren) and your situation, you can work out household contribution plans for things like housing, health insurance, food and family cellphone plans. Ultimately, recognize that parenting these days tends to harken back to the time when adult children lived at home until they got married. You can fight it, but it’s also good to plan for it — or at least don’t be surprised if/when it happens to you.⁴

Retirement/Estate Planning

Estate planning is not just for wealthy people — or even the elderly. Couples with families — particularly complex modern families — should consider what would happen to their “estate” should one or both spouses pass away. At any age, here are some tips:

- Update beneficiary designations on your financial accounts any time there are changes to your family dynamic, such as marriage, new children, divorce or death.



spectrum
advisors



- Draw up basic documents such as a will, which should include a named guardian for your children, powers of attorney and health care directives.
- Work with qualified professionals to ensure you have adequate financial protection should one or both spouses pass away.
- Maintain a file or notebook for all of your legal documents, financial accounts and insurance policies, including login credentials, any auto-payment information and named beneficiaries.

Parents/Caregiving

Families don't stop at children. At some point, they can restart with the care of one or more elderly relatives. In fact, a recent survey by T. Rowe Price revealed that approximately one out of three families that look after an aging relative spend at least \$3,000 a month related to that care.⁵ Whether providing direct care for daily living activities or taking over a parent's money management, the obligations of family finances do not usually stop when the last chick leaves the nest.

In preparation for this eventuality, it's a good idea to start the conversation early on in your parents' retirement. They will likely be reluctant to have this discussion, but mention that you are developing a plan for your own retirement so it's important to understand any additional obligations you may have down the road.

Consider these discussion points:

- If it became necessary, would you consider moving to an assisted living community or do you have the funds to pay for care at home? Or is it your plan that I/we would take care of you?
- Discuss the potential for downsizing and/or living closer to you or your siblings.
- Ask about their overall financial situation, including savings, investments and other valuable assets such as whether they own their home outright, their Social Security income and any insurance policies — including long-term care or a policy with a long-term care rider.
- Inquire about any pending liabilities, such as mortgages or credit card balances.



- Include all appropriate family members, including siblings, in these conversations. This is not just to share responsibilities, but in case something happens to you before your parents pass away.
- Either you or your parents also should maintain a file or notebook with their legal documents, financial accounts and insurance policies, with login credentials, auto-payment information and named beneficiaries. Also include contact information for their doctors and financial advisors.

Final Thoughts

When a couple decides they want to share their life together, regardless of how their family may expand in the future, there are some basic tenets that can help navigate financial challenges:

1. Agree on shared financial objectives and how to achieve them.
2. Don't keep secrets when it comes to money; be transparent about debt, credit scores, spending habits and separate accounts.
3. Make planning and saving a priority.

Recognize that money is often a catalyst that can end a relationship. By making money discussions a part of your ongoing dialogue, this enables each partner the opportunity to have a say in financial goals and decisions. While couples often divide and conquer household responsibilities, financial decisions should be made together.

This is no different than deciding if and when to have children; it's that important. Talk often and freely, without judgment. It also can be helpful to develop a relationship with a financial advisor to guide you as your family grows and changes. Sometimes objective, third-party advice is what a couple needs to maintain perspective and prevent money from creating problems in their relationship.



¹ Jacqueline Sergeant. Financial Advisor. April 1, 2021. "The Buck Increasingly Stops With Millennial, Gen X Women." <https://www.fa-mag.com/news/the-buck-increasingly-stops-with-millennial--gen-x-women-61202.html>. Accessed April 11, 2021.

² Judith Ward. T. Rowe Price. March 29, 2021. "Couples and Money: 6 Important Financial Promises to Make." <https://www.troweprice.com/personal-investing/resources/insights/6-financial-vows-couples-should-take-to-heart.html>. Accessed April 12, 2021.

³ Mark Vandenburg. Vanguard. Sept. 3, 2020. "Preparing your finances for parenthood." <https://investornews.vanguard/preparing-your-finances-for-parenthood/>. Accessed April 12, 2021.

⁴ Judith Ward and Robert Young. T. Rowe Price. March 26, 2021. "How to Balance Your Needs With Those of Your Children and Parents." <https://www.troweprice.com/personal-investing/resources/insights/managing-competing-financial-priorities.html>. Accessed April 12, 2021.

⁵ Ibid.

This content is provided for informational purposes. It is not intended to be used as the sole basis for financial decisions, nor should it be construed as advice designed to meet the particular needs of an individual's situation. None of the information contained herein shall constitute an offer to sell or solicit any offer to buy a security. The information and opinions contained herein provided by third parties have been obtained from sources believed to be reliable, but accuracy and completeness cannot be guaranteed by AE Wealth Management. Neither AEWM, nor the firm providing you with this report are affiliated with or endorsed by the U.S. government or any governmental agency.

Investing involves risk, including the potential loss of principal. No investment strategy can guarantee a profit or protect against loss in periods of declining values.

Investment advisory services offered only by duly registered individuals through AE Wealth Management, LLC. The advisory firm providing you this report is an independent financial services firm and is not an affiliate company of AE Wealth Management, LLC. Investing involves risk, including the potential loss of principal. No investment strategy can guarantee a profit or protect against loss in periods of declining values. The information and opinions contained herein provided by third parties have been obtained from sources believed to be reliable, but accuracy and completeness cannot be guaranteed by AE Wealth Management. This information is not intended to be used as the sole basis for financial decisions, nor should it be construed as advice designed to meet the particular needs of an individual's situation. None of the information contained herein shall constitute an offer to sell or solicit any offer to buy a security or insurance product. 04/21 - 1603832

