Determining Your Net Worth as a Couple:

Marrying Your Financial Assets and Liabilities

When getting married, couples often combine their belongings only to find themselves with two toasters, two different bedroom sets and, more importantly, two unique financial situations. However, unlike the spare toaster that you hide in the cupboard, you cannot merely ignore your better half's financial history.

Getting married means establishing a lifelong relationship of sharing – including sharing information about your finances. A discussion to determine what you are both bringing to the table is essential to establish long-term financial goals as a couple. You must assess your current financial situation, identify your needs and goals, and explore strategies for realizing your financial objectives – from short-term objectives like managing your college loan debt to longer-term objectives like owning a vacation home.

How to Determine Your Net Worth

To determine your net worth, you and your future spouse must create a list of all of your liabilities, or money that you owe, and your assets, or money or items of value you have. I recommend to my clients that each future spouse bring a list to their first meeting with a financial advisor of all the items that will help them paint the most accurate picture of their financial situation – like a recent pay check that shows how much money you have invested in your 401(k), credit card bills, savings and checking account statements, and loan statements.

Step 1. Total Liabilities = Her Liabilities + His Liabilities.

I recommend that you list your liabilities, or money that you owe, first. This is your opportunity to discuss any unsettled credit card debt or outstanding college loans that your future partner may not know about. It is best to be open and honest about any debt that you have. Keeping debt a secret will not make it go away, and talking about your debts is the first step toward realizing your financial goals. Liabilities to tabulate on your list include: the unpaid balance of a home mortgage or other mortgages, school loans, the balance of automobile loans, installment debts, outstanding credit card debt, unpaid bills and unpaid taxes.

Step 2. Total Assets = Her Assets + His Assets

Assets *Money or items of value you own*	Liabilities *Money that you owe*
Savings accounts	Unpaid bills or taxes
Home and other real estate	Unpaid balance of home mortgage
Cash value of life insurance	Balance of automobile loans
Retirement or profit-sharing plans	Installment debts
Car	Credit card debt
Stocks and bonds	School loans

Items of value that you should write down on your asset list include savings accounts; a home or payments made on a home; the cash value of life insurance, retirement or profit-sharing plans; cars; stocks and bonds; and other possessions that can be converted to cash. Don't forget to include any collectables or antiques that you own. That Tiffany lamp you inherited from your great aunt may be worth money and be part of an asset class called alternative investments. Any investment not associated with the traditional asset classes of stocks, bonds and cash can be considered an alternative investment, and can include anything that has value in the marketplace such as classic cars and boats, paintings, art and rare coins. While you may not realize it, these items can appreciate significantly in value and should be included in your asset list.

Step 3: Your Net Worth as a Couple = Total Assets – Total Liabilities

The difference between your combined assets and liabilities is your "net worth" (if positive) or "net indebtedness" (if negative). If you have just purchased a home, chances are that you will have a rather large net indebtedness. However, it is important to realize that investing in real estate can significantly enhance your net worth through the appreciation of property and tax savings. While you may feel like you are drowning in a sea of debt if your net indebtedness is a result of other liabilities like credit card debt or unpaid loans, now is the time to commit yourself to a plan to get out of debt and start saving. Keep the list you have just created – your net worth statement – to monitor your financial progress.

Setting Financial Goals and Growing your Assets

Now that you know where you stand, you can begin to set financial goals and develop strategies and benchmarks for achieving these goals. All couples dream of financial affluence, and determining your net worth is the first step you will take towards achieving that goal. Some of the more important goals that newlyweds should consider are starting an emergency savings fund, saving for retirement and purchasing life insurance.

Establishing a Safety Net

Since few of us are immune to job layoffs, realistically plan how long it would take to replace your job and fund expenses through that period. I recommend putting aside at least six-month's salary in a savings account or money-fund. This emergency savings fund will provide you and your partner with a sense of financial security, and is incredibly valuable if you do experience a period of unemployment.

Saving for Retirement

Beginning to plan financially for retirement now is crucial if you want to have a comfortable retirement during which you can concentrate on spoiling grandchildren rather than worrying about the next week's grocery bill. If you and your future spouse both work, you should both take advantage of your employer-sponsored retirement accounts. If managed correctly with other retirement investments, employer-sponsored retirement accounts, such as a 401(k)s and IRAs, can provide a significant tax-efficient way to save for retirement and create a complete retirement portfolio.

If you are paying off college debt, you may be more concerned about paying your loans than saving for your retirement. However, it is important to balance these current financial obligations with future financial planning for retirement. Because many retirement savings programs earn a higher interest rate than you are paying for your student loans, they often provide for a net gain over putting that money towards your college loan debt, not to mention the benefits of investing pre-taxable income. That being said, if you have outstanding debt from school loans, you must also incorporate managing that debt into your financial plan.

Purchasing Life Insurance

It is necessary to prepare for the financial consequences of an unexpected death of a spouse. In the event of a loss of a spouse, it is important to consider the financial implications for the surviving spouse. Purchasing a life insurance policy naming a spouse as the beneficiary can help the surviving spouse to remain financially comfortable. Life insurance seeks to provide income to preserve the beneficiary's standard of living for when the insured dies. You may also want to consider disability and long-term care insurance in your overall financial plan.

Other Considerations

Other financial goals you may want to consider now include saving to start a family, saving for continuing education and purchasing real estate.

Achieving Your Goals

After sitting down to discuss your net worth, assets, liabilities and financial goals you will most likely find it necessary to blend your financial habits into a financial plan that you are both comfortable with. While men may have traditionally managed family finances, don't assume that your future partner is the wiser investor. A groundbreaking nationwide study recently released by Merrill Lynch Investments Managers (MLIM) found that women investors make fewer investment mistakes than men – and make them less often. Specifically, the study found that women are far less likely than men to:

- Hold a losing investment too long (35 percent of women reported having done so at least once vs. 47 percent of men)
- Wait too long to sell a winning investment (28 percent of women vs. 43 percent of men)
- Buy a hot investment without doing any research (13 percent of women vs. 24 percent of men)

In addition, the study found that women are less likely to repeat their mistakes than men. What is the key to women's success? Think back to the most recent road trip when your fiancée got lost. Just as your fiancée may have refused to ask for directions at gas stations, in general, men also tend to not seek out advice as often as women do when navigating their financial plans. The key to women's success is that they invest with a plan and seek and take professional advice. [1] However, while women may take the initiative in planning and seeking out a financial advisor, it is very important for both you and your fiancée to be involved throughout the entire planning process.

Seek the Help of a Trusted Financial Advisor

To create a roadmap for achieving your financial goals, seek the expertise of a trusted financial advisor. Not only will your financial advisor help you develop an investment strategy to maximize the return on your investment, your financial advisor will provide you with the peace of mind that you are making sound financial decisions to meet your long-term financial goals.

[1] Merrill Lynch, Merrill Lynch Investments Managers Survey, April 18, 2005

According to a study conducted by the Certified Financial Planner Board of Standards, couples with a written financial plan are more likely than those who manage finances on their own to feel satisfied with their financial planning. Typically, these couples also tend to seek out guidance when looking to make major financial decisions. On the other hand, those without written plans are more likely to be worried about not being financially prepared for retirement. [2] So just as you have been taking an inventory of all of your domestic wares to plan your registry list, now is the time to sit down with a trusted financial advisor to assess your current financial situation as a couple, identify your needs and goals and explore strategies for realizing your financial objectives.

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[2]Certified Financial Planner Board of Standards Inc. 2004 Consumer Survey
http://www.cfp.net/downloads/CFPBoard2004ConsSurvey.pdf