

Money, Marriage and Divorce

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Extract

There really is nothing quite like the feeling of meeting someone special who you plan to share a large part – perhaps the rest – of your life with. If you've experienced it, you know the script. The bloom of love is wonderful and definitely something to be savoured – and remembered during the tough times that will inevitably test your relationship over the years ahead. The fact is, no long-term relationship is smooth sailing 100 per cent of the time. Life dishes up too many curve balls for that.

Whether it's buying a first home together, learning to live on one income following the arrival of a new baby, or dealing with unexpected bills like the car needing a new gearbox right when you're in the middle of costly renovations, at a number of stages you and your spouse or partner are likely to experience financial pressure. Money has a well-deserved reputation for being able to drive a wedge into even the strongest relationships, and the way you handle financial pressure as a couple can highlight important strengths, or weaknesses, in your relationship.

A large part of this book looks at the financial issues associated with separation and divorce, and how to rebuild wealth and financial security if you find your- self suddenly single. The thing is, if you can get money matters right as a couple from day one, you will have eliminated at least one significant cause of relationship breakdown. And that makes laying the foundation of good money management something worth doing.

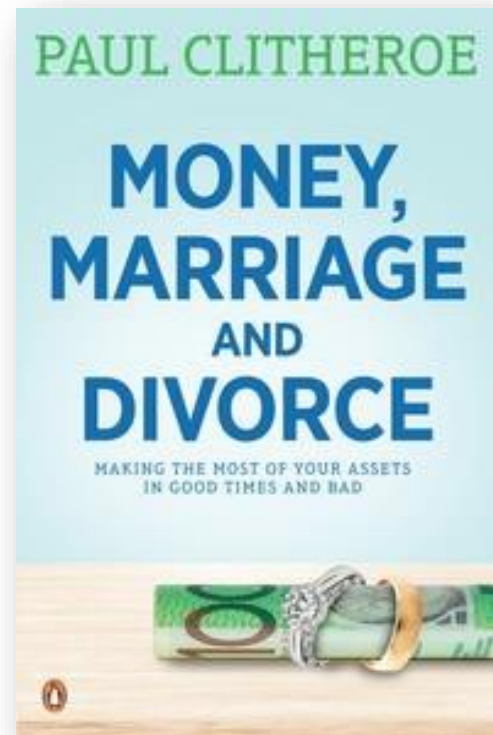
Money matters in your relationship

Human relationships are complex. There's no scientific formula that pinpoints the person we'll fall in love with, and we've all met couples who seem thoroughly mismatched, yet whose relationship, seemingly inexplicably to the rest of us, works. Equally, it can be difficult to understand why some relationships, which looked ideal, fail.

Sometimes the reasons are obvious. Infidelity, family violence or dishonesty will shake the foundations of any relationship. In other cases, couples simply drift apart and eventually become strangers living under the same roof. Often there can be a variety of factors that push a relationship onto the rocks. However, in today's complicated world, the potential for money to be toxic in a relationship cannot be underestimated.

If you require any convincing about the need for couples to work as a team on money matters, consider these statistics. Research from the United States shows that, on average, couples argue over financial issues about three times a month, and one in two (55%) adults living with a long-term partner don't set aside time for regular discussions about financial issues.¹ A separate survey found fewer than one in two couples jointly manage their household finances, and only 38% talk openly with their partner about retirement planning.²

Another US study found that the more frequently couples argued over finances, the more likely they were to get divorced – especially if they were sparring over money several times a week or almost daily.³ Similarly, British research found money ranked as the biggest cause of arguments between couples.⁴



The situation isn't too different here in Australia. Research by Relationships Australia found that financial stress is one of the four main reasons why relationships suffer.⁵ For the record, the other main culprits are communication difficulties, different expectations and values, and lack of trust. When you think about it, all four factors are closely interwoven.

Why the clash over cash?

Why does money rank so high on the list of issues that can drive a relationship onto the rocks? Certainly it's a no-brainer that if you've lost your job through illness, injury or redundancy and you have kids to support and a mortgage to pay, the ingredients are all present for some serious financial stress. However, my experience in over three decades as a financial adviser tells me that high income couples are just as likely to go to war over money matters as low-income earners, so it's not always a *lack* of money that causes friction.

Sometimes the way we spend, the way we save, and the way each person in a couple handles their financial resources individually can fuel the flames of irritation in their other half. It makes for a complicated issue, and just to add to that complexity, the way we manage our money and our attitude towards it often go right back to our childhood and our upbringing. It's then further shaped by personal life experiences.

As a guide, many of the retirees I've assisted in my career were alive during the Great Depression and after, when times were exceptionally tough for many people. It was an experience that left an indelible mark on many of today's seniors, some of whom continue to live a remarkably frugal lifestyle in retirement, despite having amassed significant wealth during their working life. These people often can't let themselves enjoy their money for fear of experiencing poverty again. Other people take more of a 'live for the moment' attitude that can see them spend money as quickly as they earn it. And I've come across a worrying number of ordinary Australians who, for a whole variety of reasons, have racked up enormous debt by spending compulsively in pursuit of a sort of 'shopper's high'.

Okay, these are extremes on the money-management spectrum. Thankfully, the vast majority of us fall somewhere in the middle between being really tight with our money and throwing it around like confetti. The key point is that, with so many factors shaping our attitudes and approaches to personal finance, there's no real reason why a couple who may be compatible in every other respect will see eye to eye on money matters.

1 American Institute of CPAs, *AICPA survey: finances causing rifts for American couples*, media release,

4 May 2012.

2 *Fidelity couples study finds husbands and wives not having critical conversations needed to achieve retirement goals*, media release about Fidelity Couples Retirement Study 2011, 29 June 2011.

3 Jeffrey Dew, Sonya Britt & Sandra Huston, 'Examining the relationship between financial issues and divorce', *Family Relations*, vol. 61, no. 4, October 2012, pp. 615–28.

4 *Relate, Relate reveals Britain's arguing habits*, media release, 5 March 2013.

5 Relationships Australia & Credit Union Australia (CUA), *Issues and concerns for Australian relationships today: relationships indicators survey 2011*, 20 July 2011.