Five mistakes couples make with money

Crown Financial Ministries New Zealand

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Money is a common source of friction for couples due to differences in the way they were brought up to think about money and different money personalities. The following are some key mistakes couples make with managing their money.

1. Failing to communicate about money

Money is hard to talk about. Issues of pride, inadequacy, resentment, and shame get wrapped up in the conversation, resulting in hurt feelings, isolation, and even lying to each other about debt and spending.

You both have to lay some things down and take small steps toward communicating in a healthy way. Financial classes, financial counselling, and reading books together are valuable to learn how to work together and talk openly.

2. Not working together to develop a spending plan

Following a realistic spending plan is the key to managing money well. This sounds easy, but different personality styles can make it frustrating to work together.

One is often a saver and the other a spender. One wants everything on a spreadsheet neatly organized in rows and columns, but this kind of detail just gives the other a headache!

We are much stronger when we can work together. We can create common goals and complement each other's styles and personality strengths. One is good at organizing and tracking all the details, and the other gives great input about how much we need in each category.

3. Not providing for unexpected expenses

In the early years of marriage most couples aren't prepared for the unexpected. They quickly learn how expensive things can be to repair or replace. With no emergency fund, the credit card is used to make repairs and pay bills. The reality is bad things are bound to happen. You should have enough money set aside to cover any major repairs, replace things such as appliances, or cover monthly expenses in the case of lost income.

4. Not being wise in buying a home

Many well-intentioned people will tell you it is critical to buy a home. Their logic is that you are throwing money away if you rent. Owning your own house does make financial sense if you are able to pay the mortgage off more quickly than the 30-year starting point for most mortgages.

However, couples make the mistake of comparing what they are paying in rent with what they will need for mortgage repayment, forgetting the additional costs of rates, insurance and house maintenance when you own a home.

For many newly married couples, rushing into home ownership turns into their biggest budget buster. They don't understand the true cost of home ownership and end up owning a home that is too expensive, with mortgage payments that eat up a large part of the monthly take home pay.

5. Spending money before you have it

It is easy spend on credit or financing on a “buy now/pay later” plan. Most retailers and service providers now offer a buy now, pay later option. You think you’ll use future incoming money like future pay increases or bonuses to cover the debt later.

Although the adage, “Don’t count your chickens before they hatch,” may be overdone, it does hold true in this case. All buy now, pay later options will cost you more than if you saved up before buying.