

What Drives You, Financially Speaking?

SHARON KEDAR,¹ MBA, CFA, and **MANISHA THAKOR**, MBA, CFA, co-authors of *Get Financially Naked*, go on the record about the importance of communicating about money.

You know your phone number, your shoe size and your favorite beverage. But do you know yourself, financially speaking? Understanding your attitudes about money is one of the best investments you can make. For starters, it will enable you to make financial choices that support your dreams and goals. But the benefits don't stop there. Money is something that has a direct or indirect impact on every person's life, every single day. The better you understand what drives the way you interact with money, the more empowered you will be in financial relationships with family, friends, children and especially with a significant other.

Opposites attract

If you've ever argued about money with your honey, you know what we're talking about. Your ability to successfully navigate the financial waters as a couple plays a huge role in the overall happiness and health of your relationship. Yet when it comes to money, opposites really do attract.

Researchers at the University of Pennsylvania, the University of Michigan and Northwestern University recently asked married couples to rank their personal feelings about spending money on a "spendthrift-tightwad" scale. The survey results were eye-popping. When it comes to attitudes about money, it turns out that more often than not opposites are magnetically drawn to each other.²

Academics hypothesize that these differences in financial attitudes are seductive in the early stages of courtship. For example, if you are a saver, your mate's free ways with money may make you feel



SHARON KEDAR, LEFT, AND MANISHA THAKOR, SAY IT'S IMPORTANT TO HAVE AN OPEN DIALOGUE ABOUT YOUR ATTITUDES TOWARD MONEY.

temporarily liberated. Or if you are carefree with your finances, your more frugal heartthrob may serve as a beacon of financial stability. Unfortunately, if you don't discuss them, these differences can morph into emotional volcanoes that can ravage your relationship.

But there is good news. To be financially compatible, you and your mate don't need to have identical attitudes about money. Instead, what you need to do is understand the experiences, beliefs and feelings that underpin each of your viewpoints. You also need to be clear on where you have differences so that you can create a plan that meets both of your needs.

¹Sharon Kedar is married to a Schwab employee. ²University of Michigan, News Service, "Fatal (Fiscal) Attraction: Tightwads and Spendthrifts Tend to Marry," August 27, 2009.

Are you financially compatible?

Consider this couple: One partner grew up in a home with rigid rules and expectations, and sees money as a means of self-expression and freedom. The other partner grew up in a household where the kids were always alone while the parents were working to make ends meet, and sees money as a means of being able to spend more time with their children. While the resulting differences in viewpoints about money are subtle, they could create big tensions if not addressed.

To learn more about how your approaches differ, take the *Get Financially Naked* financial compatibility quiz. Using a series of non-threatening questions, this quiz helps you and your mate get to know each other better on three financial dimensions: knowledge, interest and behavior.

As you start getting financially naked, remember that this is a process. We suggest talking openly and honestly with your mate about what we call the “five power steps to financial success.” These are the five key spending areas that can affect a couple’s happiness and financial position. They include your home, car, education, kids and extended family. Many times, couples disagree about these five areas but don’t discuss these issues with each other—and that can breed resentment.

LEARN MORE

>>To download a free copy of the *Get Financially Naked* compatibility quiz, visit GetFinanciallyNaked.com.

The five key areas

Here are some questions and rules of thumb to discuss with your mate:

- **Home:** How much of your gross income do you want to spend on housing? If it’s much more than one-third, you will be limiting your flexibility to spend in other areas.
- **Car:** How much do you want to spend on transportation? In an ideal world, your household should keep total transportation costs to 10% or less of your gross income.
- **Education:** How much are you willing to spend on education? You want to make sure any “tassels” are worth the financial hassles. Whether it’s you going back to school or your children heading off to private school or college, a good rule is not to owe more money than you think you will earn in one year, on average, during the first 10 years after graduation.
- **Kids:** Do you want to have children? If you do, how do you want to raise them, financially speaking? According to the U.S. Department of Agriculture, it will cost \$220,000 to raise a child born in 2009 through age 18—and that’s before you add in college costs!

- **Extended family:** What are your obligations to your extended family? Between a rough economic environment and longer life spans, all sorts of financial issues are popping up on the extended family front.



Communication is critical

People inevitably grow and change over time. We encourage you to continue talking about your evolving attitudes toward money. Constant, open, non-judgmental communication is key to making sure your relationship bliss does not fall into a financial abyss. ■

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Q & A

How receptive are couples to talking with each other about money?

In a recent survey,* 93% of participants said they thought their partners were open to discussing financial issues. And 76% said they believed they and their partners shared the same philosophy about managing money.

But differences do sometimes occur. Some 29% of survey participants said they had argued with their partners about money in the last year.

*Capital One Financial Corp., November 2009.

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