Sustaining Your (Financial) Relationship

By Kate Mulvany

Successful couples naturally divide responsibilities. She cooks, he cleans – or they take turns choosing restaurants. But they tend to manage their finances together, as a team.

That's because the division of financial responsibilities, no matter how well intended, can produce unintended consequences. One partner may have built or inherited the family's wealth; the other may feel as if it isn't his or her right to become involved. One partner may be much more financially sophisticated; the other disengages out of timidity or disinterest. Often, one partner may feel just too busy, with a business or children, to fully participate in shaping their financial future.

These stumbling blocks, real or perceived, make it difficult to achieve the level of conversation necessary to ensure that each person's values are appropriately reflected in their combined financial plan. Indeed, if one person takes full charge and the other assumes a need-to-know approach, the family as a whole can suffer. For instance, how much can they comfortably afford to spend? How accurate, really, is the more sophisticated investor's assessment of their appropriate exposure to risk? Are the needs of the whole family, including the children and any other dependents, properly accounted for?

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Spending and many other financial issues can become magnified in blended families. Consider the California man who had observed his partner spending in support of a child from a previous marriage and was anxious that the outlays came at a cost to their own retirement. In this case, the spending was well within reason and had little effect on their long-term goals as a couple. But the less sophisticated partner's lack of knowledge about their affairs and a failure in communication created needless anxiety.

Fear, resentment and even mistrust can set in when couples don't fully engage and communicate; emotions that are only compounded at times of crisis, such as an illness, the loss of a job or, as Jeff Maurer writes on page 22, a market downturn.

The emotional fallout from divorce and death is even greater. In an extreme case in point, a widower was just recently made aware of the estate plan put into place by his wife, a successful publisher, and her former financial advisors. He has a life estate in the couple's residence but will have access to liquid cash for his ongoing support only through a trust for which a longtime friend of the couple is trustee. Although the trust provides for his full support and his relationship had been good with the man who now has

Editor's note: The examples here were drawn from client experiences and the details were changed.

oversight of his assets, their friendship was destroyed. Worse, he still feels angry at the lack of transparency provided by his late wife.

Couples do best when both partners are engaged in planning

Successful partnerships are built on shared goals and values. If it's been a while since the last money conversation, meet together with your advisors to confirm that you are informed, educated – and on the same page – across all the aspects of your shared financial life. Here are a few suggestions to get started; please contact your advisor to address your specific circumstances.

Level set. An annual review by both partners with their advisor is the most practical way to establish a foundation for ongoing conversations. Details to review include the balance sheet (along with the location of assets and ownership), an account of all sources of income and spending, asset allocation, and a review of important estate planning documents like wills, trusts, and powers of attorney.

Speak up. A good advisor will want to know what is on both partners' minds. He or she can speak with them together and/or one-on-one, to help fill in any gaps in financial knowledge, provide a current and future lifestyle analysis, and facilitate discussions around goals such as providing an education for grandchildren, establishing a philanthropic vehicle, or determining when and how to leave assets for future generations.

Address the hard questions. Will both of you have enough to live on? What if one spouse substantially outlives the other? Are you taking on too much – or too little – market risk? Are there gaps in your current wealth plan? Say you've helped one child during their life, or their children. Should you provide for equalization at your death? Do you share lifestyle, family and legacy goals? Are your assets allocated accordingly? Are the right documents and investment vehicles in place?

Invest some time in education. Evercore Wealth Management provides private wealth education for clients and their families, ranging from the basics of planning and investing to sophisticated seminars with our senior professionals and external managers. Everyone has something to learn, and it is our experience that couples do best when both partners are engaged in planning for their and their family's future.

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