

# 3 Financial Questions to Ask Before You Say ‘I Do’

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You have worked years to build your wealth – and now you are fortunate to have chosen someone you love to share your future. Whether your commitment to each other leads to marriage or not, most likely your loved one has not been a part of your wealth journey, and vice versa.

There’s a good chance you and your partner are entering this stage of your relationship with different financial circumstances and income resources. Now is an opportune time to sit down together and take a candid look at all aspects of your personal finances – from assets and liabilities, to your individual retirement, wealth, and estate plans.

While discussing money matters can place couples in a sensitive, uncomfortable situation right before embarking on an exciting new phase of their lives, it’s important to have these conversations and openly share answers to key financial questions. Hopefully your discussions not only will protect the wealth each of you has accumulated, but also will help avoid misunderstandings, hurt feelings, and unwelcome surprises down the road.

## What does your financial future look like?

Start your conversation with a key barometer of your financial life: your net worth. Having an accurate overview of your net worth is an important step in determining whether you’re headed in the right direction to meet your financial goals.

Talk through the list of assets each of you brings to the relationship: bank accounts, real estate holdings, business ownership, valuable collectibles, luxury vehicles, and investment portfolios. Next, record your combined liabilities: mortgages, car or boat loans, student loans, credit card balances, and any prior or pending legal claims against you. Run current credit reports to determine if there has been any suspicious activity or identity theft and to straighten out any problems on your credit histories prior to walking down the aisle or committing to a permanent relationship.

Before you can set goals and plan for your future as a couple, you need to share how much money you both earn. It’s important to talk through more than just paycheck amounts – for example, near-term adjustments for a large increase (or decrease) in one or both incomes based on your career trajectories and the current job market, or substantial growth potential (or possible downsizing or closing) of a business you own.

This also may be a good time to clear the air regarding any possible financial resentment that might arise if one of you makes significantly more money than the other as your relationship progresses. Based on your earnings situations, now is an opportune time to acknowledge both short-term and long-term goals for how you plan to spend and save your money as a couple rather than individually – or not. Which leads us into the next question.

## It Takes Two

According to a recent study on couples and their money, couples who plan their lives together say they feel financially strong, regardless of their age or the length of time they’ve been with each other. Openly discussing money matters helped them feel more confident, more in sync with each other, and better prepared to handle their future. In fact, 78% of couples surveyed said they would prefer disclosing everything about their finances rather than share the details of their past relationships.<sup>1</sup>



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## How will you handle shared expenses?

Some who enter a committed relationship or marriage believe in keeping personal finances separate. Others think combining finances is the best way to manage their money going forward. These conversation starters may help you and your partner arrive at the best solution for your preferences and circumstances, including:

- How to handle multiple residences or property; where to live
- How to set a monthly budget for household necessities, living expenses, dining out, and health care
- How to pay for luxury items, vacation travel, club memberships, and entertainment
- How much to allocate for investments
- How much to save toward retirement

Most importantly, set the boundaries for transparency and communication so each of you have a clear understanding of what to expect in your relationship. Honesty is always the best policy – if you have a habit of buying expensive designer items and your partner frequents auctions and estate sales in search of fine art pieces, now's the time to share these preferences before financial habits become an issue.

## What legal documents need to be revised or updated?

Regardless of your age, there are certain legal documents that should be put in place, reviewed, and/or updated as soon as you marry or combine households. These include:

- Wills
- Living wills
- Durable powers of attorney
- Health care powers of attorney
- Revocable living trusts
- Estate plans

When it comes to discussing the details of these documents, it is in your best interest to include a team of professionals in the conversation: your financial advisors, tax advisors, and estate planning attorneys. If you or your partner are considering a prenuptial agreement, this also should be part of the conversation.

Finally, remember to review all beneficiary designations on insurance policies and pension, 401(k), and investment accounts to ensure they are current with your relationship status and wishes. Be clear with heirs about your intent.

## We can help

While these considerations may seem overwhelming at first glance, the issues surrounding them are well worth discussing to protect your wealth and avoid unwanted conflict in the future. Contact Commerce Trust Company today – our experienced and objective professionals can help you address these and other delicate matters so you can embark on a happy, fulfilling life together on the same financial page.

<sup>1</sup> Source: Fidelity® Couples & Money Study, Press release, “‘Til debt do us part: Nearly half of couples concerned about debt also name money as their biggest relationships challenge,” <https://newsroom.fidelity.com/press-releases/news-details/2018/Til-debt-do-us-part-Nearly-half-of-couples-concerned-about-debt-also-name-money-as-their-biggest-relationships-challenge>, June 26, 2018.

The opinions and other information in the commentary are provided as of April 12, 2022. This summary is intended to provide general information only, and may be of value to the reader and audience.

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Guy is a financial planner manager for Commerce Trust Company. He is a member of the financial advisory services team — a dedicated financial planning practice within Commerce Trust that provides objective financial advice to clients. Following a thorough assessment of a client’s unique situation and thoughts regarding wealth, Guy develops holistic and coordinated plans to help clients meet their short-term and long-term goals as well as take full advantage of various planning, tax, and investment strategies along the way. With more than 20 years of financial planning experience, he is responsible for providing quality advice to clients and prospects of Commerce Trust. Holding both Certified Public Accountant and CERTIFIED FINANCIAL PLANNER™ designations, Guy’s extensive experience in financial planning includes working for banking and accounting institutions as a financial planner and tax advisor. His expertise includes planning for financial independence, executive compensation, estate preservation, philanthropy, and business succession. Guy received his bachelor of administration in business and economics from Wheaton College. Additionally, he is a member of several organizations, including the Financial Planning Association and the American Institute of Certified Public Accountants. Guy speaks and writes regularly on financial issues and has served as a faculty member for ABA National Graduate Trust School.



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