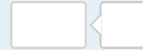



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Money and relationships: 3 options when finances unequal

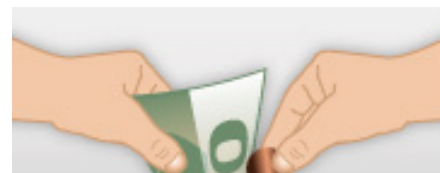
By Carmen Chai

When two incomes and two financial situations merge, it isn't always a smooth transition. You and your partner may have major disparities in pay, debt loads or even just different lifestyles. So how do you merge your finances and keep your relationship intact?

"I've got many couples in this very situation," says Mike Gomes, a certified financial planner at Toronto-based Ironshield. "It's about trying to come up with a system or approach that works for both parties."

"No matter what you do, relationships and money will always be intertwined," says Isaiah Chan, a program manager at the Credit Counselling Society. "For those to work, you have to get into specifics."

If you're in this situation, Gomes and Chan have a few suggestions on how to tackle it.



Option 1: Combine your incomes

Open a joint account and deposit all your income into it. Both people must use the account responsibly, adhere to the budget and maintain trust and communication. Chan says.

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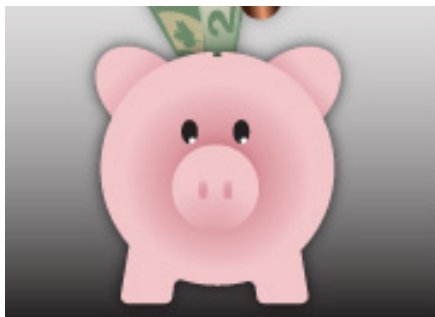
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Communication, Charley says.

Tally your joint income, then carve out and agree on a budget. It should include housing, groceries, utilities and all other bills, including both parties' debts. It doesn't matter if one person makes twice as much, because this budget is supported by your pooled income.

This route means there is total transparency with your finances. You'll need to be willing to accept your partner's debts as your own, and be willing to give your partner reasonable financial freedom, even if the majority of the funds going into the account are from your paycheque.

"You don't have the mindset of 'this is mine and this is yours,'" Gomes says. "There's no longer a distinction."



Option 2: Pay according to your salary

With this option, you'll divide expenses according to each person's income. One way to do that is, say, if you earn 70 per cent of income, you're responsible for 70 per cent of the budget.

Gomes provides financial planning services to a couple who uses this method. One person earns three times more than his partner, so he takes care of the mortgage, property taxes and car payments. The lower-earner pays for the smaller bills, such as car insurance, groceries and hydro.

Another way to interpret it is to allocate a certain percentage of each person's income toward certain bills. You may decide that the higher earner can afford to put 60 per cent of their income toward bills, while the lower earner can only afford to give 40 per cent.

Gomes also has clients that use this method. In one couple, one spouse is a stay-at-home mom who receives government benefits. Thirty-five per cent of her income goes toward the mortgage, another 15 per cent to debt and 10 per cent to savings. The higher earner takes care of the rest.

Regardless of how you choose to interpret this option, each person is responsible for their personal debt, such as a student loan payment they had before getting in the relationship. The cost of the debt repayments comes out of each person's overall salary before determining percentages.

Say, a husband makes \$3,000 a month, and has a line of credit with \$300 payments. His \$3,000 monthly salary

will actually go down as \$2,700 when drawing up the budget.

This is a "meeting halfway" option, in which you aren't all-in with your finances, but you must still be willing to sacrifice while your partner repays their debt. The debt-free partner might not be making the debt payments, but they support the debtor's goal of being debt-free, even if it means decreasing their spending in other categories.

"[Paying off debt] is going to take away from your income whether you like it or not," Chan says. "You don't hold that against that individual."



Option 3: Go Dutch

This option is common, especially among partners who have dealt with divorce or nasty breakups in the past, Chan says.

In this scenario, most finances are separate. You can either split rent and other shared bills down the middle, or open a shared account that specifically pays for your shared expenses.

Regardless of how you handle joint expenses, personal expenses such as student loans, lines of credit or credit card balances stay separate.

That way, if the relationship falls through, it's a cleaner breakup without one partner feeling like he or she may have been on the losing end propping their significant other up financially.

Other helpful tips

Have a slush fund: No matter which strategy you choose, work a slush fund into your budget. It's an allowance – say, \$100 per person per month – that you can spend freely, no questions asked.

Take a money management course together: Chan suggests doing this may help couples understand where they developed their money habits. This class will also help you develop shared financial goals and identify each person's financial strengths and weaknesses.

Disclose your debts: You owe it to your partner and yourself to disclose your debts, Chan says. "Feelings of resentment will come up, but it becomes something greater when it's because someone has not been honest."

For example, counsellors have seen people seeking help because they're tens of thousands of dollars in debt and refuse to tell their partners.

Understand a team dynamic: In many instances, some spouses equate power in the relationship to who earns more. One spouse may feel he or she doesn't hold as much weight in decision-making, or they may feel indebted or guilty. Gomes says couples need to work as a team instead of feeling like one person is carrying most of the weight because they earn more.

Seek professional help: You may need a credit counsellor, financial planner or even a couples' counsellor, depending on your financial woes as a couple.

"There's a big, blurry line when it comes to relationships and financial counselling," says Chan. "Sometimes it's about saving a marriage *and* paying down debt."

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