The Institute of Chartered Accountants of Ontario

Merging your finances

When you got together, you and your partner probably pooled your furniture, combined your CD collection and discussed your long-term goals.

But did you talk about merging your finances? That all–important discussion about finances at the beginning of your relationship can save you a great deal of grief later - whether your relationship lasts for six months or 60 years.

Here are eight tips on how to successfully merge your finances.

1. **Fully disclose your financial situation** – "When you are ready to merge your finances with your partner's, it's best to be up front and honest about what you have, and, sometimes more importantly, what you owe," says Chartered Accountant Christopher Alexander of CJA Professional Services Limited in Oakville. "While you may not want to admit that you've got an out-of-control credit card balance, telling your partner will likely help tackle the issue because you can work together to put a plan in place to pay it off." Full disclosure means you will also avoid a difficult situation down the road if your partner finds out you weren't honest about your finances. As well, a prenuptial agreement may not be valid unless there has been full disclosure prior to signing.
2. **Discuss your financial goals and philosophy** – "Talking with your partner about your goals and philosophy regarding savings, investing, risk tolerance and retirement planning can be as important as discussing whether you want children," says Chartered Accountant and Chartered Business Valuator Melanie Russell of Kalex Valuations Inc. in Toronto. "And because your financial goals will likely change over time, it is important to review them on a regular basis."
3. **Consider a prenuptial agreement** – "A prenuptial agreement or marriage contract can be a scary thing to talk about," says Alexander. "However, you have to be realistic about the fact that not every relationship will end up 'happily ever after'. If it doesn't, having a prenuptial agreement can save you thousands of dollars and many sleepless nights." Marriage contracts are particularly important if you are much wealthier or much poorer than your partner, if you are remarrying, if your partner has significant debts or if you own all or part of a business.
4. **Establish a budget and financial plan** – "While this can seem overwhelming to couples who aren't numbers-oriented, it doesn't have to be complicated," advises Russell. "There are great computer programs around and your CA is always available to assist."
5. **Protect your assets** – "You and your partner should agree on the level of risk associated with your investments," advises Alexander. "Other ways to protect your assets include life insurance, critical illness insurance and insuring your valuable assets. If you own a business, consider incorporation. And if you have a financial advisor, do your homework on the individual and their firm. If they are promising returns that seem too good to be true, they probably are."
6. **Split your income** – "Income splitting can enhance your family's wealth, providing it complies with Canada Revenue Agency rules," says Russell. "If you are considering income splitting, be sure to talk to your tax advisor about the possibilities, risks and benefits."
7. **Set up an estate plan** – "This may be the furthest thing from your mind when you and your partner first get together," says Russell. "While it may not be a critical step initially, it should be considered at an early point."
8. **Talk to a CA** – "CAs can help you establish your financial goals and plan," says Alexander. "They will also help you review your plan on a regular basis, identify ways to mitigate risk and advise on retirement savings, saving for your children's education and tax-saving opportunities."

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