The Adfinity

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Money and your Honey

Ask any couple you know what they fight about and "money" is bound to be chief among the issues. Don't let money get in the way of one of the most important relationships in your life. Use this guide to manage your money relationship with your significant other.

We all have our own ideas on how our financial future should play out, and when someone else's ideas get in the mix, it's easy for the relationship to temporarily derail. Staying on track isn't as hard as it seems, however, if you know how to pick your battles. Here are nine ways to avoid fighting about money in your relationship.

Recognize That Money Attitudes Are Predetermined

Attitudes about money are likely adopted from our parents. Jon and Beverly Meyerson, authors of *Power Snuggles: Your Path to Vibrant and Lasting Love*, agree. They say the sooner you recognize that much of the conflict regarding money concerns the different values formed in childhood, the better off you'll be.

"In a calm time, have an open discussion about the messages you received from your parents regarding money," the Meyersons suggest. "This will help each of you to understand how your partner is thinking and you will likely be more accepting of each other's viewpoints."

Be Honest About Your Financial Fears

Money is frightening and if you don't have a plan for spending and saving money, you and your partner will start to butt heads. But the Meyersons offer a solution.

"Discuss each other's fears with respect to spending or saving money," they say. "Your goal is to alleviate your partner's fears, such as not having enough for retirement or for emergencies. Couples are more likely to compromise after this discussion."

Keep Separate Accounts

"Regardless of how much you each earn, make sure you both have an account to allow you the independence to make some purchases on your own and agree that no matter how you feel about small purchases you will accept the other's desires," the Meyersons advise.

Don't be afraid to talk about how much money you have in those accounts — it's not a secret to keep from one another — but you will both like to feel independent of each other financially even though if the going got tough, you'd have each other's backs.

Avoid Attaching Negative Emotions to Money Talks

You're probably not going to avoid heated exchanges about money indefinitely, so

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it's important to know how to handle the situations that do arise in a positive, effective manner. Remember that money shouldn't be the most important thing in your relationship. Sometimes the best way to avoid fighting about money is to have structured conversations.

Schedule Monthly Money Dates

It's an all too common problem in relationships that the only time partners talk about money is when there's a problem. Nip that scenario in the bud by checking in with each other where it pertains to your finances on a monthly basis.

By putting a regular meeting on the calendar, you normalize conversations about money. Turn it into a fun date night, order in, or pack a picnic, look at the numbers, and see if any adjustments need to be made.

Create a Unified Vision of Your Financial Future

Without shared goals, there will be tension around how money will be distributed. Each person must be willing to work toward a common financial goal and it's also critical that both partners are crystal clear about their financial reality — how much is coming in, and what their fixed expenses are.

Be Transparent

Transparency is especially important when a couple's finances are combined. Both partners should be aware of and discuss any large purchases if the funds for payment have come from both sources.

Open a Dialogue About Partner Values

One of the best ways to create a sense of resentment in a relationship is to let one partner contribute more than the other to the overall financial situation if both partners are equally capable of contributing. Of course, there are also relationships where one partner doesn't have a traditional job and, as a result, no salary, but may be providing value to the relationship in other ways.

If one person in the relationship is doing the childcare or the housekeeping, eliminating costs for a nanny and housekeepers, discuss that value. If one person does the shopping and cooking, discuss the cost savings on restaurant and takeout meals. A lot of fighting over money has to do with the seeming inequity of a breadwinner's value versus a non breadwinner's value. Sometimes, simply discussing this and acknowledging all the costs associated with a stay at home partner eliminates fighting.

Put Money Goals in Writing

Money affects us in a myriad ways. It can cloud our judgment, and steer us off track when we lose control of situations. Put your financial goals as a couple in writing. A lot arguing comes from a disparity of goals — not who makes the money, but where it's going. One person may want to save for a retirement while the other may want to spend on the now. Make a list of what you both want, then share it. Prioritize and make deals when you don't agree. Whatever the disparity, the fights are usually over what's not spoken about."

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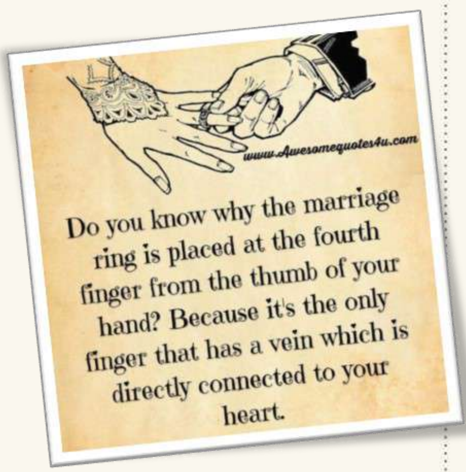

Marriage & Money: The Accrual System

South Africa's legal system has in the past few decades progressed in leaps and bounds in at-tempting to ensure equality between the sexes before the law. Until the introduction of the Accrual System into our marriage law, the legal position of married women in South Africa was one which would make even the most ardent modern chauvinist blush.

Marriage law — the South African perspective

The legal position prevailing in most legal jurisdictions, even as recently as the last century, can be seen from the comment by an eminent American law professor who, writing in 1917, commented that "husband and wife are one and that one is the husband". In South Africa, prior to 1984, our law usually left a prospective bride (particularly one intending to be a full-time mother and care-giver) with a difficult choice to make between the available marital regimes.

In the absence of an antenuptial agreement, the common law position then prevailing was that which had existed for centuries: upon marriage the spouses' estates became one (called "community of property"), over which the husband had sole control in terms of his so-called "marital power". Our law's wedding gift to the bride was to effectively bestow on her the legal capacity of a child. A betrothed couple could avoid this regime from applying to their union by entering into an antenuptial agreement prior to tying the knot.

By excluding "community of property" in the contract, their estates would remain separate thus giving the wife full legal capacity and complete control over her estate. An intending bride was thus often caught between "the devil" (community marriage with little legal power over the joint estate and diminished legal status) and the "deep blue sea" (marriage out of COP – full legal capacity over her separate estate but having no claim against her husband's assets upon his death or their divorce).

The introduction of "the Accrual System"

In 1984, the Matrimonial Property Act was passed, dragging our marital law somewhat belatedly into the 20th century. For marriages in community of property, the Act abolished the husband's "marital" power over his wife and their joint estate. A system of joint (and equal) administration over the community assets was introduced for all such marriages (even for "in community" marriages entered into prior to 1984). The Act also gave spouses who chose to marry

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out of community of property another option: the “Accrual System”.

What is the Accrual System?

The Accrual System, based on the German model, has been described as one of “deferred sharing of profits”. It automatically applies to all marriages out of community of property after 1 November 1984, unless specifically excluded by antenuptial contract. With the Accrual System, during the marriage the spouses are fully independent and there is a complete separation of property.

On dissolution of the marriage either by death or divorce, the gains made during the marriage are shared. The Accrual System thus recognises that marriage is a partnership but assets acquired before the marriage are not shared.

How does the Accrual System work?

Each spouse declares a “commencement” value for his or her estate. On dissolution of the marriage each spouse’s estate is again valued. The spouse whose estate shows the smaller gain is given a claim against the spouse whose estate shows the greater gain, for an amount equal to one-half of the difference between the two gains or “accruals”. The “commencement” values are adjusted for inflation and the “dissolution” values exclude certain assets like inheritances (see Accrual example on page 5). As the example shows, it’s not always the “wealthier” spouse overall (i.e. the husband above) who has to pay the Accrual claim on dissolution!

The Accrual System effectively ensures that spouses share equally in the wealth they create during the marriage.

What happens if a spouse dies?

While most people think of an Accrual claim in the context of a divorce, probably the most common way in which a marriage is dissolved is by death of one (or tragically both) of the spouses.

On death of a spouse, the Accrual claim is calculated and depending on their respective gains, could result in either (i) a claim being lodged by the surviving spouse against the estate of the deceased spouse (if the survivor shows the smaller gain) or alternatively, (ii) the survivor might be required to make payment into the deceased spouse’s estate (if the latter shows the smaller gain). Some antenuptial contracts provide that if the survivor has the greater accrual, then the deceased spouse’s estate’s accrual claim is forfeited.

How does the Accrual claim affect one’s testamentary planning?

The possible impact of an accrual claim upon death of either of the spouses is an important issue commonly overlooked in one’s testamentary planning. The rule is that the Accrual claim is calculated and takes effect before applying the deceased spouse’s Will.

The Accrual claim, if it is due to the surviving spouse, constitutes a claim against the deceased estate which ranks in preference behind that of other creditors but ahead of heirs.

In other words, the Accrual claim due to a surviving spouse must be paid before any other heirs such as children, parents and other can inherit. Where married couples leave their entire estates to one another in their Wills, the effect of the Accrual claim is academic — whatever the result of the calculation, the deceased spouse’s estate ends up in the hands of the survivor.

Planning for the Accrual claim

By properly planning for one’s death, one can ensure that the effects of an accrual claim are dealt with — an antenuptial contract and Will can ensure there are no unintended problems, and a life assurance policy can ensure that there is enough cash available to meet any possible Accrual claim.

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Accrual Example

A simple example illustrates how this works:

- Husband enters marriage with a net estate worth R2,000,000, wife with R500,000.
- Upon husband's death his estate is worth R2,500,000 and wife's R2,000,000.
- Gains (ignore inflation) = husband R500,000 and wife R1,500,000
- Difference between gains = R1,500,000 – R500,000= R1,000,000
- Wife has gained more, therefore husband can claim one-half of the difference of R1,000,000 from wife = R500 000.

The husband would have a claim against the wife's estate for R500,000 which would be due to him before the heirs in terms of the wife's Will (e.g. children from a previous marriage) receive their inheritances

What about the kids?

There are some particular dangers in overlooking an Accrual claim where (step)/ children are also heirs…..

Example 1

A husband dies and, having intended to leave his estate in equal shares to his wife and a child from his previous marriage, made provision for this in his Will. If he hadn't allowed for his wife's accrual claim against his estate, she will receive, in addition to her accrual claim, half of the balance too—potentially more than was intended, leaving the child less.

Example 2

A wife dies leaving her estate to her children from her previous marriage, having thought that her husband had sufficient assets of his own. However, she overlooked her Accrual claim against her husband's estate and he would have to pay the amount of the claim into the estate to be inherited by his stepchildren.