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Getting Your Spouse Involved in the Financial Decisions Should Not Be Neglected

By: Michael Alexenko, CFA

Luckily I've never been in a disaster situation like a tornado or fire. I do recall the emergency drills from when I was in grade school and I always enjoyed them because it meant getting a break from class. During the drills, I'd usually stare off into space while the good sisters were trying to offer their instructions. I'd be wondering how effective those drills would prove to be if there actually was a fire or tornado. Happily I never found out, but I suspect that the adults along with the kids who were somewhat more conscientious than I, would have helped to keep the children calm and see to it that they followed the right procedures.

The drills that we all experienced as children are somewhat analogous to preparing for some personal turmoil that can hit us later in our lives. Hopefully, as adults, we take our job to prepare for life emergencies a little more seriously than I took the fire drills at St. John Elementary. In fact, our first responsibility is to make sure that we don't completely neglect the necessity of doing a little practice.

It's not uncommon for spouses in a marriage to each accept certain roles in their relationship. We all have different skills and interests, so it wouldn't make much sense for the spouse who has trouble boiling water to be the one trying to cook digestible meals. That doesn't mean that the resident chef should always be the one to put dinner on the table. What happens when the spouse, who is no Bobby Flay, is left at home while the cook goes for an extended trip? You can only eat out so many times, and if the trip turns into a permanent absence then there'll be trouble.

All kidding aside, it becomes a difficult situation for a surviving spouse if the partner who handled the finances is no longer around. Whether it is by the dissolution of marriage, through death or severe injury/ disability, the emotional strains that are involved can complicate the job that the spouse knows nothing about.

There are two parties involved in a marriage and if one spouse is lost when it pertains to the checkbook, the budget, household income, financial resources or how the bills are paid, it's likely the fault of both the husband and wife. Either someone is a control freak, has no interest in the subject, or both have simply found it easier to let the person who managing the finances continue doing it without involving the other. Regardless of the reasons why it happens, it shouldn't continue. The fire drills need to start taking place and repetition of the drills need to happen with some regularity so what is learned is not soon forgotten.

The good news is, it's never too late to correct a pattern of behavior especially when it doesn't require a huge sacrifice or extraordinary demands, or if the change is rather minor. Thankfully, familiarizing someone with the basics of his/her personal finances does not require a major time commitment.

One of the first things that can be done is to prepare a manual with all the necessary important information. The advantage that a surviving spouse has over the resident of a burning building is that he/she has time to consult a manual. Unlike a fire that requires immediate response, no financial actions need to be done within seconds, so consulting a written document is a feasible first step. The manual should include the names of all the financial institutions where accounts are held, contact information for financial advisors, attorneys, bankers, and insurance agents. A balance sheet should be included along with a list of regular bills that need to be paid. Describing what income sources are available or how to access investment accounts would also be an advisable inclusion.

It may be a good idea to start slowly when getting an uninformed spouse involved. The Internet is a wealth of

Creating Your Practice Drill
1) Write a manual with critical financial information
2) Give your spouse simple assignments
3) Have your spouse track monthly expenses
4) Calculate possible total future income
5) Have spouse periodically control all finances

See "Drill Baby, Drill," page 2

Drill Baby, Drill: Practicing Financial Management

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information and doing some basic inquires about financial subjects is be a good way to initiate an introduction. Have your spouse search topics such as: What is a mutual fund, what are capital gains, what are dividends, are bonds good investments and financial planning for beginners, and then discuss the topics together. Take some time to review all your financial statements and talk about what you own and why. This type of review might be equally helpful for the spouse controlling the finances if he/she can't explain why certain investments are owned.

A stage two project is having the husband or wife begin to track household expenses. It's a stress-free task and one that will payoff in the future. Not knowing how much someone can spend when left on his or her own is an unsettling dilemma that can be solved by taking time to get these facts on paper. Tracking expenses for retirement planning purposes is a good idea anyway so you can kill two birds with the same budget stone. Once your spouse knows how much is being spent, you can take some time to talk about what sources of income will be available.

This might require a little investigation into what amount in liquid assets is available and the spend rate from those assets that is appropriate. Using a 4% annual spend rule limit from all accessible assets, like IRAs, life insurance proceeds and investment accounts is a safe guideline. Don't forget to include possible survivor benefits from Social Security and/or employer pensions in your income estimates.

To complete the practice you should implement a real drill. Have your spouse periodically take over the checkbook and the financial decisions. Responsibilities would include all the bill paying, deposits to the bank and meetings with your advisors. There is no better way to see if your student too has been staring off into space.

Market Snapshot: Everyday, New All Times Highs Being Made

By: Michael Alexenko, CFA

There may be something more under the surface than what we are seeing from the magnificent returns posted by the S&P 500. It looked like the mild correction that happened in Sept/Oct was going to turn into real carnage, but just as things started to accelerate to the downside the market reversed and has bounced 12% off its intraday low hit on October 15. What lies beneath though is a fragmented market that has most asset categories underperforming the large U.S. companies by substantial margins. The usual canary in the coalmine is small U.S. companies and they do signal warning. They're returning about 10 percentage point less than the S&P. The next is international emerging markets. Those markets had been higher by 8% at the beginning of the year but at this point they are just breaking even. Next is the price movement in commodities. We all like low gas prices, but the price of oil is probably not dropping solely on increased production from the USA. Weaker international demand caused by much lower economic output must be a factor. Last, is the rate on the 10 year Treasury bond. A 2.4% rate has to be considered low especially as the Federal Reserve has curtailed its intervention that was designed to lower rates. Demand for money is a sign of a healthy economy and that demand should be pushing rates higher. Instead they've dropped by 20% this year. Count me in the camp of not trusting this bull market because I think it's been manufactured and manipulated. In the last five years I've never advocated not participating in the market, but at this time I wouldn't be aggressively adding new cash either.

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