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Couples Negotiate Money in Retirement

By Jane Leibbrand

For some couples, retirement is a breeze; they can enjoy opportunities such as going south in the winter to a second home without worrying about the budget. For example, Todd, a retired state superintendent of education, and his wife, Ellen, who taught second grade for 27 years, both have state pensions, Social Security, and investments. They have a second home in St. Augustine, enjoy world travel, and gift money in 529 plans for their grandchildren's college education.

But increasingly, Todd and Ellen are in the minority in living out a worry-free retirement.

A household survey conducted by the Federal Reserve shows that "although three-fourths of non-retired adults had at least some retirement savings, about one-fourth did not have any. This share has remained nearly unchanged since 2019. Among those with retirement savings, these savings were most frequently in defined contribution plans, such as a 401(k) or 403(b), with 55 percent of non-retired adults having money in such a plan. These accounts were more than twice as common as traditional defined benefit pension plans." Many companies have switched to de?ned contribution plans—such as 401(k)s—in recent years, so greater numbers of future retirees won't have the security of a monthly paycheck for life from a pension.

These statistics tell us that finances for many may be more challenging than for some in retirement now, like Todd and Ellen. How can couples successfully negotiate money in their retirement years

Spender and Savers

Jeff Motske, author of *The Couple's Guide to Financial Compatibility*, says that spender-saver conflicts over money can escalate in retirement; once a spender is retired, there's more time for leisure activities, and many cost money.

CAPTRUST Financial Advisor Catherine M. Seeber, CFP®, CeFT®, says most of the couples she works with embody the spender-saver dynamic. For example, Lynn, a golf lover who's retired from her work in human resources, has been spending quite a few days on the greens and organizes women's getaway golf weekends with friends. Husband John isn't a golfer; he's noticed that her outings have added a considerable amount to regular credit card expenses and worries that Lynn's pastime has eroded their budget over the past year. Seeber has answers for this dilemma that, if left untended, could lead to major disagreements.

Analyze Income and Expenses

Seeber says to help couples get a handle on resolving the spender-saver conflict, first tackle the big picture: How much income and how much outflow are there? always runs the numbers to provide couples with how much income they're bringing in from all sources and then subtracts from that all of the expense and liability information that they've shared. She then asks them this question: "Is there any money left over at the end of the year?" If the numbers show that they should have had $20,000 left over at the year's end but have nothing to show for it, such as reinvesting it or purchasing a new car, a deeper dive into where it was spent may be in order. Most likely, there are expenses unaccounted for, and they can begin sharing what those are, with no judgment attached.

In Lynn and John's case, Lynn agreed to cut back golf to two days a week. Redirecting that expenditure, Lynn and John agreed to spend that money on more getaways to improve the quality of their together time. Seeber emphasized to John, who's the saver, that it's important to be willing to spend money on a treat like this so that the couple enjoys retirement together.

Set a Discretionary Limit

Each couple should have some discretionary money within the monthly budget, says Seeber—the maximum amount could be from $100 to $1,000 or several thousand, depending on the couple's resources. That way, the spender knows he or she can spend the discretionary money, but there is a ceiling. Couples usually compromise on what's realistic once they see where they are financially. Having discretionary spending limits helps both spender and saver experience freedom with boundaries.

Compromise and Negotiate

Compromise and negotiation are the golden rules for a happy retirement. Many couples have very different ideas about their retirement lifestyle but come to a compromise on their own once they know what they can afford. For example, Kathy and Art lived in the Chicago suburbs raising their children, but Art always wanted to live someplace warmer, while Kathy wanted to be near the grandchildren in retirement. She was happy staying in the same town to be close to their grandchildren but wanted a smaller house with less maintenance. Art explored condos in Florida but wasn't sure it was wise to purchase, considering condo fees and rising prices. While researching real estate, Art found a great community with monthly rentals.

Kathy, knowing Art loves warm weather and the beach, agreed to vacation in Florida during the winter months. The couple now ends up spending three months each year there, escaping winter's snow and salt. They enjoy biking and going to the beach without the expense of a large initial outlay and then having to maintain two residences. Art and Kathy say they have the best of both worlds. This arrangement enables them to stay close to their grandchildren for much of the year, while enjoying their Florida getaway during Chicago winters. Compromise on both Kathy's and Art's part enabled this happy ending.

Helping Adult Children

Helping retired couples navigate the amount and type of aid to give to adult children and grandchildren is another common issue Seeber handles in her role as financial advisor. Unfortunately, "it's very unusual to be on same page on how much assistance to give a child," says Seeber, noting that this is a tough issue but one that can be resolved. She has the couple first talk through their expectation for that child in the privacy of their home, even listing the various options—"if we provide this much support, then we expect this to happen." Often one spouse wants to step in significantly, and one doesn't.

If it's a question of an adult child moving back home, "you can reach a compromise with stipulations," says Seeber. Have your child show proof that it's not meant to be a permanent move-in by signing a lease or contract along with other provisions related to steps to producing enough income to be able to move out. When appropriate, Seeber can provide resources to the adult child such as ways to consolidate debt and tips on job hunting.

It's All about Planning

Seeber recommends making an appointment with your financial advisor for the next year during your current meeting. That way, you don't forget this important checkup. Your advisor helps you set a target for withdrawals for the year, and unless circumstances change drastically, following the plan provides a roadmap. This way, spenders are automatically reined in by the data. And savers are reassured that they aren't breaking the budget in taking that vacation to Italy once they've priced it out and see that it fits within the amount they've budgeted for the year.

Have questions? Need help? Call the CAPTRUST Advice Desk at 800.967.9948, or schedule an appointment with a retirement counselor today.

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