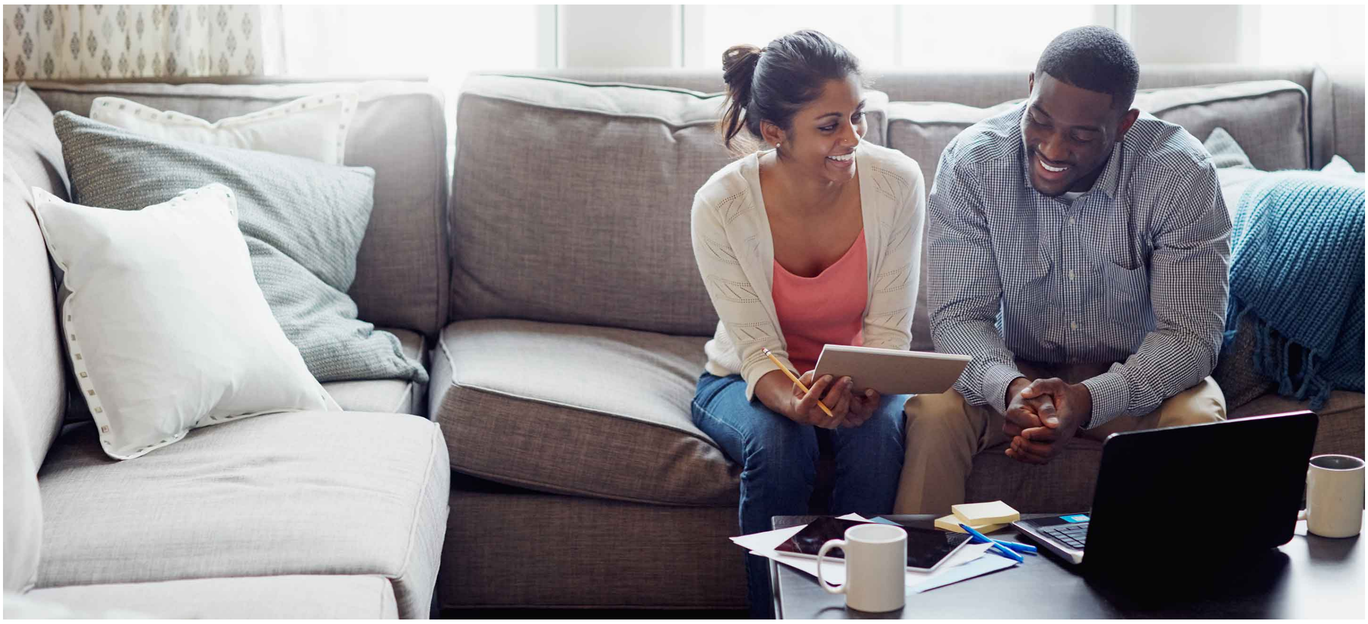

Tuesday, April 6, 2021

Investing as a Couple: Getting to Yes

In a perfect world, both halves of a couple share the same investment goals and agree on the best way to try to reach them. It doesn't always work that way, though; disagreements about money are often a source of friction between couples. You may be risk averse, while your spouse may be comfortable investing more aggressively—or vice versa. How can you bridge that gap?

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First, Define Your Goals

Making good investment decisions is difficult if you don't know what you're investing for. Make sure you're on the same page—or at least reading from the same book—when it comes to financial goalsetting. Knowing where you're headed is the first step toward developing a road map for dealing jointly with investments.

In some cases, you may have the same goals, but put a different priority on each one or have two different time frames for a specific goal. For example, your spouse may want to retire as soon as possible, while you're anxious to accept a new job that means advancement in your career, even if it means staying put or moving later. Coming to a general agreement on what your priorities are and roughly when you hope to achieve each one can greatly simplify the process of deciding how to invest.

Make Sure the Game Plan Is Clear

Making sure both spouses know how and (equally important) why their money is invested in a certain way can help minimize marital blowback if investment choices don't work out as anticipated. Second-guessing rarely improves any relationship. Making sure that both partners understand from the beginning why an investment was chosen, as well as its risks and potential rewards, may help moderate the impulse to say "I told you so" later.

Investing doesn't have to be an either-or type of thing. A diversified portfolio should have a place for both conservative and more aggressive investments. Though diversification and asset allocation can't guarantee a profit or ensure against a loss, they are ways to manage the type and level of risk you face—including the risks involved in bickering with your spouse.

It Takes Two

Aside from attempting to minimize marital strife, there's another good reason to make sure both spouses understand how their money is invested and why. If only one person makes all the decisions—even if that person is the more experienced investor—what if something were to happen to that individual? The other spouse might have to make decisions at a very vulnerable time—decisions that could have long-term consequences.

If you're the less experienced investor, take the responsibility for making sure you have at least a basic understanding of how your resources are invested. If you're suddenly the one responsible for all decisions, you should at least know enough to protect yourself from fraud and/or work effectively with a financial professional to manage your money.

If You're the More Conservative Investor

- If you're unfamiliar with a specific investment, research it. Though past performance is no guarantee of future returns, understanding how an investment typically has behaved in the past or how it compares to other investment possibilities could give you a better perspective on why your spouse is interested in it.
- Consider whether there are investments that are less aggressive than what your spouse is proposing but that still push you out of your comfort zone and might represent a compromise position. For example, if you don't want to invest a large amount in a single stock, a mutual fund or exchange-traded fund (ETF) that invests in that sector might be a way to compromise. (Before investing in a mutual fund or ETF, carefully consider its investment objective, risks, charges, and expenses, which can be found in the prospectus available from the fund. Read it carefully before investing.)Or you could compromise by making a small investment, watching for an agreed-upon length of time to see how it performs, and then deciding whether to invest more.
- Finally, there may be ways to offset, reduce, or manage the risk involved in a particular investment. Some investments benefit from circumstances that hurt others; for example, a natural disaster that cuts the profits of insurance companies could be beneficial for companies that are hired to rebuild in that area. Many investors try to hedge the risks involved in one investment by purchasing another with very different risks. However, remember that even though hedging could potentially reduce your overall level of risk, doing so probably would also reduce any return you might earn if the other investment is profitable.

If You're the More Aggressive Investor

- Listen respectfully to your spouse's concerns. Additional information may increase a spouse's comfort level, but you won't know what's needed if you automatically dismiss any objections. If you don't have the patience to educate your spouse, a third party who isn't emotionally involved might be better at explaining your point of view.
- Concealing the potential pitfalls of an investment about which you're enthusiastic could make future joint decisions more difficult if your credibility suffers because of a loss. As with most marital issues, transparency and trust are key.
- A spouse who's more cautious than you are may help you remember to assess the risks involved or keep trading costs down by reducing the churn in your portfolio.
- Remember that you can make changes in your portfolio gradually. You might be able to help your spouse get more comfortable with taking on additional risk by spreading the investment out over time rather than investing a lump sum. And if you're an impulsive investor, try not to act until you can consult your partner—or be prepared to face the consequences.

What If You Still Can't Agree?

You could consider investing a certain percentage of your combined resources aggressively, an equal percentage conservatively, and a third percentage in a middle-ground choice. This would give each partner equal input and control of the decision-making process, even if one has a larger balance in his or her individual account.

Another approach is to use separate asset allocations to balance competing interests. If both spouses have workplace retirement plans, the risk taker could invest the largest portion of his or her plan in an aggressive choice and put a smaller portion in an option with which a spouse is comfortable. The conservative partner would invest the bulk of his or her money in a relatively conservative choice and put a smaller piece in a more aggressive selection on which you both agree.

Or you could divide responsibility for specific goals. For example, the more conservative half could be responsible for the money that's being saved for a house down payment in five years. The other partner could take charge of longer-term goals that may benefit from taking greater risk in pursuit of potentially higher returns. You also could consider setting a predetermined limit on how much the risk taker can put into riskier investments.

Finally, a neutral third party with some expertise and a dispassionate view of the situation may be able to help work through differences.

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