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# 5 money tips for newlyweds

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Congratulations, you're married. Now it's time to tackle that other M word: money.

Getting married is an exciting milestone. It also brings up that other big M word: money. Financial planning for couples can be daunting, draining and downright complicated without a plan. That's why we've created a guide to the key financial items you should think about putting on your to-do list so you can begin your newlywed life in bliss.

## 1. Have an honest conversation with your spouse

The **2018 Financial Fidelity survey** by the Financial Planning Standards Council and Credit Canada found that 36% of people in a relationship have lied about a financial matter to a partner. It may not seem romantic to talk about money, but having a frank conversation about your finances will strengthen your relationship.

Here are some discussion questions to ask that will give you both a better understanding of your financial situation as a couple:

- How much debt are you in?
- What do you plan to do about it?
- What big-ticket items do you plan to buy, such as a home or a car?
- Where do you see yourselves in the next five years? Do either of you want to go back to school? (School is an important but expensive pursuit, so it is important to factor student loans into the equation when planning your financial future.)

## 2. Draw up a budget

Once you have a sense of where you both stand, draw up a budget together. There are several excellent spending tracking tools and budget calculators available online, such as **You Need a Budget** or **Mint**. But you don't need a fancy app to budget well; you can even use an Excel spreadsheet. Whichever method you choose, the key is to create a budget and regularly refer to it with your partner. It's also helpful to do a regular **financial check-up** together to assess your financial health and current saving, spending and investing habits.

## 3. Update your insurance

Getting married is an excellent time to get insurance, because insurance acts as a safety net for your family when life gets tough. Many newlyweds take the time to purchase life insurance or add their spouses to their existing plans. If you were to die, **life insurance** would give your designated beneficiaries (such as your spouse and – if and when – your kids) the money they'll need to take care of living expenses. In general, you should have enough life insurance to let your family maintain its current lifestyle as long as they need to.

Note: You must name your spouse as the beneficiary of your life insurance policy for your spouse to receive payment.

In addition to reviewing your life insurance, compare your partner's health insurance premiums, deductibles, co-payments and coverage to yours to determine the better and more cost-efficient plan for your family's needs. You could save significant cash by switching to the same plan or **co-ordinating your benefits**.

Also, take the time to talk to your spouse about other insurance to help supplement your family's income if you or your partner become critically ill or disabled. Other types of insurance to speak to your partner about are:

- **Disability insurance**
- **Critical illness insurance**
- **Long-term care insurance**

## 4. Update your will

As well as updating your insurance policies, you should update your will — or have one made, if you haven't done so yet. If you die without a will, your property may not automatically go to your partner. The courts may make decisions about your estate for you based on provincial law. To ensure your final wishes are carried out, have a will and up-to-date beneficiary designations.

## 5. Take advantage of tax strategies for married couples

You and your spouse may receive potential tax savings by taking advantage of certain income-splitting opportunities. Shifting income from a spouse in a higher tax bracket to one in a lower tax bracket can be an effective way to lower your household's overall tax bill. Here are some income-splitting strategies.

- **Lend your spouse money to invest.** As long as the higher-income spouse charges an interest rate on the loan that's no less than the Canada Revenue Agency's **prescribed rate** at the time the loan is made, and the interest is actually paid, any income from the investment is included in the lower-earning spouse's income. That way, income and gains are taxed at a lower rate. The lower-earning spouse also gets a tax deduction on the interest paid to borrow the money (but the higher-income spouse must pay tax on the loan interest). This strategy works when investment returns are higher than the prescribed rate.
- **Contribute to a spousal RRSP.** A **spousal RRSP** is registered in your spouse's name, while the contributing spouse receives a full tax deduction for all the contributions made to the spousal plan. Spousal RRSPs are most advantageous when there is a significant difference in income between spouses.
- **Have the higher-earning spouse pay the household bills.** Instead of paying for household bills, the lower-income spouse can invest their earnings. This way, any investment income will be taxed at a lower rate.

Note: Despite the clear advantages of income splitting, you can't simply allocate income or assets to family members. If you move money or assets into the hands of another family member, the CRA will still treat any resulting income as your income and tax it at your marginal tax rate for a period. Consult with your financial and/or tax advisor for complete details.

## The bottom line

As you enter this exciting new phase of your life, it's important to have an honest discussion with your partner about money — how you earn it, how you spend it and how you protect it. It's also helpful to review your financial plan with a professional financial advisor and tax professional, who can provide personalized information. Having a strategic conversation about money can help you start your new marriage on the right note.