Building & Preserving Wealth by Design - Not by Chance
QUALITY FINANCIAL CONCEPTS
QFC's Insights

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Investing Jointly

"A Couple's Team Sport"

By: Doug Horn, CFP®

For those of us who are married, one of the strategies we as couples often undertake is the division of duties. My wife does the laundry, partly because she enjoys it, but with her fashion background she has the knowledge of what it takes to properly care for our clothes. Then there is the one who does most of the cooking, dishes, cleaning, and handling the finances to name a few other activities. For most of us, these activities often become 'chores', something we know must be done but not always done with high enthusiasm.

In my many years of working with the public it is commonplace for me to find the husband is the primary contact for the couple's investment assets. With something as important as a couple's retirement and financial security I really believe investing should be a team sport.

Four times a year, sixteen total hours, may be all it takes to turn a so-so retirement into a worthwhile retirement. Set aside one evening every quarter to compare your report score card to prior quarters. The report score card is the *net worth* figure, the total of your assets less the total amount of debt. For most of us, it does not take too long to create, and potential problems can be discovered early.

Taking the total saved during the last quarter, the amounts invested in personal IRA accounts, 401k or 403b plans, savings accounts, or investments accounts, and dividing that amount into the gross earnings for the quarter, you will get the savings percentage. According to the U.S. Bureau of Economic Analysis, the personal savings rate was 5.7%. Are you saving more than or less than the average American? Will that amount help you grow your investments to a sufficient size to generate the income required for your needs at retirement? Many use $250,000 as the amount of assets needed to generate $10,000 of annual income. But, don't forget the impact of inflation. In thirty years, it will require $24,000 of income to purchase what ten thousand buys today.

The other tale-tale ratio is the debt ratio. Taking the total of all debt payments made during the quarter and dividing it into the gross income for the same period, will provide the debt ratio which is often used by lenders to grant new loans. If extra payments are made on existing debt, the debt ratio may be artificially high. The use of the required payment amount will determine a more accurate ratio. Many lenders use 43% as the highest ratio when determining a borrower's ability to pay according to the Consumer Financial Protection Bureau. Are you above or below that ratio? If your personal debt ratio is approaching this rate or higher, that could be an indication of too much debt.

When both the husband and wife are working together to create this review and working to make each quarterly report an improvement over the last, I can only imagine financial stress within the marriage will be minimized. Don't be surprised by the lack of progress if only one partner is making all of the financial decisions; the efforts of one may be unintentionally offset by your partner.

Insights Continued:

Setting annual goals and doing quarterly checkups should help you stay on track and may become fun to monitor. If you have questions or would like assistance with investments please reach out to me at my office, Quality Financial Concepts, 984-3550.