

Pronup

A plan for staying
together



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What does it take to make love last?

Shared interests, making each other laugh, being on the same wavelength, a mutual love of coffee or curry or live comedy. All these things can be the glue that sticks you together as a rock solid couple.

When we have designs on someone as a partner for life, money just isn't something you think of as being essential to going the distance, until death do us part. How we handle money as a couple can be more important than anything else in keeping us together or driving us apart.

What is a pronup?

Hint: It's nothing like a prenup

A Pronuptial Agreement or 'Pronup' is a written plan that a couple puts in place to set out their financial future together. It's taking the time to discuss your goals for the future, creating a plan so your money can fund your dreams and give you peace of mind as a couple.

Your money, your way

The pronup process begins by examining the state of your joint finances. A financial planner can help you explore everything about how to make money work for the both of you, on a personal and practical level. This includes a close up look at your current finances and then developing a strategy to guide you towards financial wellbeing. There might be a focus on paying for your children's education, managing cash flow, looking forward to a comfortable retirement, insurance or maybe all of the above.

It starts with a conversation about:

- What money is to each of you.
- How you can join up your finances in a way that makes sense.
- What you have and what you owe.
- What's working and what isn't with how you save and spend.
- What money could help you do, together and as individuals.

Keeping you unique and united

After all that soul searching and number crunching, you can breathe a sigh of relief as you get back to the business of living. In the meantime, the serious work is just getting started for your financial planner. They'll be sifting through everything you've shared to come up with steps for bringing you financial harmony and wellbeing, for now and the future.

Being mindful of your personal money styles, they'll explore how your individual finances can be blended to come up with the suitable arrangements for your budget, bank accounts, savings, super and insurance. If personal advice is required they'll put all of this in writing in a Statement of Advice (SoA) to discuss with you.

Checking in as life takes over

As you get further down the path of commitment as a couple, life is only going to get more complicated. Having a financial planner checking in with you and keeping track of your progress towards your goals, you can get on with the exciting stuff while the money side of things is all taken care of. And as things change, the next conversation with your planner is the perfect opportunity to hit refresh on that list of goals.



Having money conversations

Get money out in the open

Aussies hate to talk about money. In fact, we'd rather stick to sex, religion or politics for a cosy chat over coffee or dinner.

So how do you break the ice with your significant other and avoid having a row in the process? Follow these tips on how to talk about money in your relationship and make it a safe subject you can keep returning to.

Be a detective

Look for clues that speak volumes about your partner and their money habits. When talking about time spent travelling or with friends, what do they value about their experiences? If they expect 5 star all the way, it's a dead giveaway for extravagant spending habits. When they're happier to go budget, perhaps money isn't so important for having a good time.

Make it a soft introduction

A grilling about your partner's salary and future earning potential isn't a good place to start the conversation about dollars and cents. Instead, talk about what they want from their life. Most of the time personal goals are going to take money to make them happen, so you're gently preparing the way for a more money minded conversation about your future together.

Share your own idea of success

If your partner's idea of financial freedom is retiring early and buying a super yacht, it's important to come clean about your own vision of a life lived in comfort. When you're both planning to join the millionaires club by 40 then you have a goal to work on together; but if your lifestyle ambitions are more humble, better to speak up now and work out a compromise.

Listen, don't judge

Our sense of shame around money can be a powerful thing, so if your partner has financial skeletons in the closet, it's better to show understanding if you want these important details about your partner's past to see the light of day. If you fear their judgement when sharing money mistakes, ask them to keep an open mind – after all, it's better to come clean now and vow to do better together in future.



Joined up finances

Getting you both in sync with your money

Who calls the money shots in your relationship? It's often the case that one person takes charge of all things money, from credit card bills to cash flow. They'll be the one to make sure you don't get behind on rent and knows whether the price is right on that new couch you've both fallen in love with.

Whether you're doing it all yourself or letting your partner take control, you could both be better off if you share the load with your financial housekeeping. Ask yourself if the following two descriptions sound like you and your partner.

1. A tight grip on purse strings

While it's great to be the one that's in the know and taking responsibility for your money, it can put your partner at a disadvantage.

By not taking part in decision making, they're in the dark about your financial position and where it's heading. You'll be stressed if money matters are getting out of control and your partner may one day find themselves surprised to be facing some harsh financial realities.

2. Ignorance is bliss

Leaving the money management to your other half may well be the perfect division of labour from your point of view; but what would you do if your partner falls ill or you end up going your separate ways? You stand to lose more than your relationship if you stay in the dark about your finances. When you know what's going on with money, it can actually be a trigger for making exciting decisions about your future.

The solution

By putting your heads together on your finances, you could bring benefits to your whole relationship and give both of you a chance to be clear about where you stand. Talking about your current money situation and future goals with a financial planner can be a great way to get you both on the same page and working together towards a better financial future.

Setting shared goals makes for a stronger relationship

Why working towards personal goals matters, for your relationship and finances

Here's a quick three step checklist that highlights why money goals matter and how you can get started on defining and working towards yours.

1. Most goals take money to make them happen

By talking about what you both want to achieve in the next 5, 10 or 20 years, you'll become aware of the money needed to achieve these goals. Whether you're more motivated to travel the world or save for your first home, you'll have a much greater chance of doing either or both, if you agree on your commitment to these goals.

2. What are you spending now?

Should you buy a good coffee machine to avoid that daily spend on takeaways? Switch Friday night drinks from weekly to monthly to save more for that overseas trip you both enjoy so much each year? Deciding together what to trim from your budget will ensure more of your money is spent on what you both value.

3. Set up budget buckets

Look at taking a more structured approach to help you stick to your agreed spending and goals. Separate accounts for essential expenses, extras, short and long terms savings can help you keep track of your cash flow. You'll know when you have money available to treat yourself to a clothes shopping binge (from the extras bucket) or a holiday (from the short term savings bucket).



Three ways to unite your finances as a couple

Having a pronup doesn't have to mean merging your money completely. This might be an ideal approach for some people but there are many other ways to make the best of your budget, cashflow and savings.

Here are three alternative ways to manage money as a couple:

Equality rules

You put the same amount towards shared expenses and keep the rest of your income to spend on yourself, regardless of who earns more.

Pros: Ideal if you're just moving in together or in the early stages of a relationship.

Cons: Gets tricky if one partner earns substantially more or has big debts to pay off.

Relies on trust – who has time to check that all joint account transactions are for shared expenses?

Fair shares

Each partner bases their share of household budget on what they earn. So if you're on an annual salary of \$40k and your partner earns \$80k, they'll put twice as much towards shared expenses.

Pros: You get to share a better lifestyle as a couple, having the experiences you really want.

Cons: The higher earning partner can feel they're being exploited.

Communication is key – stay on top of any negative feelings about who does the earning and spending.

Spend one, save the other

All living expenses are covered from just one of your two incomes and you save the rest.

Pros: Can work if you're 100% committed to a long term future as a couple.

Gives you freedom to travel, study, raise kids, change careers, etc.

With limited impact on lifestyle, as you're used to living on a single income.

Cons: One (or both) of you may struggle to stick to such a strict savings regime, which could cause stress and conflict.



Get pronup prepared

What a pronup could save you

Planning finances now could be your best investment in what you value most. Keeping money matters on the back burner won't spell doom for every relationship. But with money being a cause of divorce in Australia, why would you leave it to chance?

Here are three reasons why it's worth investing in financial planning to future proof your relationship:

1. Keep the romance

In modern days, money isn't the reason for two people to join together on their journey through life. It is a great enabler when it comes to leading a fulfilling life based on shared values and goals.

So while a meeting with a financial planner might not seem as romantic as dinner for two, it's actually just the kind of date you want to be having to keep your relationship thriving.

2. Make space for important conversations

Putting your partner, kids or home at risk is something you'd want to avoid at all costs; but it's often time, as much as money, that's the problem. Putting together a Will, organising insurance and figuring out how to start saving and investing for the future are all things you might have on your agenda already. Speaking with a planner can help you turn this laundry list of money management into an achievable, well researched, step by step plan.

3. Give your finances an advantage

A divorce is bound to be devastating for your feelings and sense of identity and the fallout for your finances is just as significant. A set back on your super, mortgage, savings and investments isn't something you'd welcome.

By investing in a robust, flexible plan for your future as a couple, you could well avoid this disruption to your family and finances altogether.

Source: Financial Advice Association Australia (FAAA)

Get in touch with us, we're here to help.

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