



On Course | May 23, 2023 | Volume 23, #4

Welcome. We at Compass Planning continue to appreciate your support. Thank you.

Many relationships involve money. Marriage is an obvious one with set rules about how money works in a marriage or, rather, how it works when a marriage ends. But how do you navigate other money relationships to help make sure money doesn't ruin the friendship?

This month, we're talking about ideas for best practices when you're sharing money with someone you're not married to.

If you missed our series on retirement, you can still access the issues. For Retirement, Part 1 - Retirement Savings, click [here](#). For Retirement, Part 2 - Social Security, click [here](#). For Retirement, Part 3 - The Retirement Paycheck, click [here](#).

If you would like assistance understanding how to protect your money in these situations, we are here to help you stay *On Course*!



Jennifer Lane, CFP



The best way to identify how you feel and behave around money is to keep a money journal. This doesn't have to be an elaborate "dear diary" nightly exercise. Begin by writing down thoughts about your money and your goals. Think about how your goals relate to your saving or spending. The idea of the journal is to get your thoughts down in a way that lets you examine and reflect on them so you can guide your future spending.

Get more tips in Jennifer's book

Best Practices for Sharing Money When You're not Married

There are three top steps that work in all circumstances.

- **Develop clear goals and expectations.**
 - Sit down early in the planning, with the person or people who will be involved and discuss all of your goals about the situation.

- The objective is to work through the details before any money changes hands or contracts are signed. Make sure to include all the stakeholders, e.g., other family members or other siblings who might be affected or their spouses.
- **Write it down.**
 - Communication becomes much clearer when it's written down. Take notes and then share those notes with everyone to review and clarify what people said and what their expectations are.
 - Work with the group to develop a best practices rules and responsibilities list from the shared notes.
- **Schedule specific times to review.**
 - At a minimum, meet yearly. Some situations will dictate your meeting cadence, e.g., for a seasonal rental property a meeting before and after the rental season may make sense.
 - Knowing a meeting is scheduled makes everyone feel heard and keeps project management on track.

The following are recommendations for different types of ownership.

Partners living together and sharing expenses: the relationship here is important.

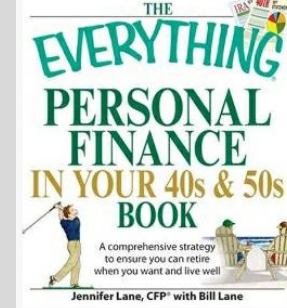
- Don't delay talking about money. Short conversations early in the relationship will normalize money talk and will be easier than long, heavy discussions when a big decision arises. Don't skip an annual review of the whole financial plan together.
- Recognize that both partners don't always have the same wealth. Use short-term and long-term financial plan projections to be sure the partner with less wealth doesn't fall behind on their long-term goals keeping up with the lifestyle of the wealthier partner.
- Many clients make joint contributions as a percentage of income then budget for the couple from there. If 30 percent of partner A's income is \$2,000 per month and 30 percent of partner B's is \$5,000 per month then the monthly budget is \$7,000 per month.
- Banks have gotten stricter about mortgages when one person wants out. They may require large fees or a refinance to take the leaving partner off the note.
- Make sure you understand before buying property what the bank expects. Buying within an entity like a limited liability company (LLC) or a limited liability partnership (LLP) might be a way to transfer the ownership of the person who's leaving without disrupting the mortgage. Talk to your lawyer about how that would work.

Roommates

- Again, prior planning makes all the difference. Before committing, determine rules for roommates, including how to handle unexpected expenses, utilities, visitors, and property damages.
- One idea that's worked well for people is to set up an escrow account with enough money to cover the final cable, internet, electric, or other utility bills when the lease ends. That way the roommate responsible for paying bills won't be stuck without being reimbursed, a good protection from bad credit rating if those bills are not paid on time.

Children moving back in with their parents

- Your returning children are now adults. Moneywise, it's important to treat them that way and not get back into the past child/parent roles.
- As in the roommate situation, plan your goals and put expectations in writing to avoid the zone of unclear expectations.



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- Set a timeline (three months, if not right away, perhaps) for when rent and shared utilities or other expenses will start. Even if you're secretly planning to give the cash back to help with moving out expenses, you've shown you respect their adulthood rather than treating them as a kid.
- If you decide against your kids' contributing, be sure to discuss their savings goals and timeframe. Set up times for check-ins on progress. Better that than wondering how they can travel, eat out, and buy great clothes while saving money. Often parents' expectation of saving money can be quite different than their kids.

Parents moving in with adult kids -- it depends on the reno

- When there's no renovation needed or it's paid for by the child who owns the home, the parent might provide childcare in lieu of rent or pay some part of the household expenses, e.g., increase in utility cost. Childcare communication is important. Set goals and expectations, responsibilities, and guidelines. Using a shared calendar can help with communication and coordination so one side does not feel taken advantage of.
- When the parents pay for the renovation, your written agreement should include how the parents would cash out from the situation if needed.
- Make adjustments to the estate plan (and communicate with family!) if the home renovation or other arrangements would make inheritance of other siblings less fair – whether in reality or by impression.

Friends buying property together

- Buying property is like going into business together – whether you rent out the property or not. Talk with your lawyer about creating an entity, e.g., an LLC, so that one of the co-owners can leave or sell their shares without disrupting everybody else. When creating the entity, decide on a fixed time to dissolve it so that the ownership causes less stress for the co-owners.
- Of course, this means, again, deciding the game plan and creating a written agreement.
- Hire a bookkeeper or a property manager unless one of the co-owners volunteers to provide regular, consistent reporting of income and expenses to share with everyone.
- Plan regular meetings semi-annually or before and after the rental season to review how the ownership and use is going. This would include discussing the organization by-laws and property uses.

Jennifer In The Media

Below are links to Jennifer's frequent contributions to financial planning articles.

- **NEW:** Jennifer contributed to an article for **USA Today** on managing credit card debt. Click [here](#) to read ***Debt snowball vs. debt avalanche: The best way to pay off credit card debt.***
- NBC Boston turned to Jennifer for advice and tips on what to do if you win big in the lottery. Click [here](#) to watch or read the segment.
- Jennifer contributed to a WBUR Radio Boston segment, ***How to Look Before You Leap into the "Great Resignation."*** Click [here](#) to listen.
- NBC10 consumer investigative reporter Leslie Gaydos interviewed Jennifer for savings tips. For a great video, ***How to Save \$1,000 in 5 Months***, click [here](#). For the written article, click [here](#).
- Jennifer contributed to a timely article, ***How to seek forbearance on your mortgage.*** for **The Boston Globe**.

[Read article.](#)

- If you're interested in dividend funds, Jennifer contributed to **The New York Times** article, ***Dividend Funds Can Add Income, and Risk, to Your Portfolio.*** [Read article.](#)
- Jennifer contributed to a **BankRate** article, ***Should I combine my mortgage and student loans?*** [Read article.](#)
- Need help with your 401(k) during the pandemic? Jennifer contributed to a **Boston Globe** article, ***Five tips for managing a 401(k) during the pandemic's turbulence.*** [Read article.](#)
- Jennifer contributed to the **Bottom Line Inc** article ***Prepare your Finances for a Possible Recession.*** [Read article.](#)
- Jennifer contributed to **The Wall Street Journal** article ***If Saving During a Pandemic Is Hard, Here's How to Stay Motivated.*** [Read article.](#)
- The **New York Times** featured Jennifer in an article titled, ***Balanced Funds Don't Inspire Fear or Greed. That's Why They Are So Useful.*** [Read article.](#)
- With a contrarian view, Jennifer contributed to an article, ***People are enraged by the idea that you should have twice your salary saved by the time you're 35!*** published recently by **Business Insider.** [Read article.](#)
- Moving in together? Check this article from **Business Insider**, ***Five questions you and your partner should answer before taking the biggest step in your relationship.*** [Read article.](#)
- **Insider** asked Jennifer to contribute to an article on old fashioned ways to manage your money, ***Six money-saving tips your grandma used that are way more effective than any budgeting app.*** [Read article.](#)
- Jennifer contributed to an article on **Business Insider**, ***This is the best way to do your taxes online - according to experts.*** [Read article.](#)
- **CNN Money's** Money Moves featured Jennifer in an article on how to strike the right balance between retiring early and saving enough. [Read article.](#)
- Jennifer contributed to a **CNN Money** article ***When is the Right Time to See a Financial Advisor?*** [Read article.](#)

Compass Planning News

- Compass Planning continues to meet with clients as well as those interested in learning more about the firm via phone and web-based video conferencing. Email info@compassplanning.com to learn more.
- Compass Planning has become a supporter of [The Center for Financial Planning](#) at the sustainer level. The CFP Board created the center to achieve a more diverse and sustainable financial planning profession so that every American has access to competent and ethical financial planning advice.

Compass Planning Associates helps families, individuals, and small-business clients achieve financial security, knowledge, and control over their money. Our fee-only, client-centered approach provides education and guidance for achieving financial goals and dreams.

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