Fidelity

Who manages the money in your family?

Most couples aren't sharing responsibility for money matters. It's time for that to change.

Fidelity Viewpoints - 09/23/2013

Although it's not unusual to find couples today sharing the responsibilities for shopping, cooking, cleaning, or child care, that equality doesn't always hold up when it comes to money matters, according to a new study from Fidelity.

"While most couples claim they communicate well about their finances and share the responsibility for decisions, both large and small, the numbers disagree," says Kathleen Murphy, president of personal investing at Fidelity. "In fact, in many cases, women relinquish control. More surprisingly, younger women play a significantly less active role in day-to-day and retirement financial decisions than their older counterparts."

The new findings come from our fourth annual Couples Retirement Study, which tests communication, knowledge, and agreement about finances and retirement planning issues between couples. The research reveals fundamental disconnects on such important issues as whether financial decisions are made together, whether accounts are held jointly or remain separate, the type of retirement desired, and whether one partner trusts the other to handle the finances. To see how you and your significant other do, take our nine-question couples quiz.

A new generation of disengaged "passengers"

This year's Couples Retirement Study was expanded to include more detailed information on Generation X (born in the 1960s to the early 1980s) and Generation Y (born in the early 1980s to the early 2000s)—with surprising results. Generation X was the first generation to grow up seeing women in strong leadership roles; by the time the first members of Gen Y entered college, women were making up more than half of all graduates. But despite being in the vanguard of social change, Gen X and Gen Y women play either a shared or more passive role in many financial decisions, interactions with financial professionals, and retirement planning than their older retired and boomer counterparts, according to our survey.

Though Gen X and Gen Y women are more likely than retired and boomer women to proclaim that they share an equal role in routine financial decisions, they are less likely to be the primary decision maker. While one in four boomers (24%) self-identifies as the primary decision maker regarding everyday finances, only one in eight (12%) of Gen Y women can say this.

The split is even more pronounced between older and younger women regarding their retirement savings decisions. Only 45% of Gen Y women describe themselves as a joint decision maker, compared with 58% of Gen Xers and boomers. Gen Ys are nearly twice as likely as boomer women to say their partner is responsible for financial decisions regarding their retirement (36% Gen Y versus 22% boomers). In fact, among Gen Y couples, barely more than a third (36%) agree that they hold equal roles.

Chromosomes and confidence

The women in the study still seem to think that their husbands or male partners would do a better job overseeing the family finances—and the men in their lives agree. "The study's numbers showed us that men are more likely than women (53% to 45%) to be very confident in their own ability to assume full financial responsibility of their retirement finances," says Murphy. Furthermore, 52% of women believe that their spouse or significant other would do a better job of overseeing the family finances than they would—but only 43% of men return the sentiment.

Fortunately, life experience appears to boost women's confidence, with older women feeling more assured than younger women in their ability to assume full financial responsibility. More than half the women who are either retired (53%) or a boomer (51%) express complete confidence in their readiness to step up to the financial plate if they had to, compared with only 32% of Gen X women and 38% of Gen Ys.

Different concerns for retirement planning

Men and women express different concerns and expectations about retirement. Half the women (49%) are "very" or "somewhat" concerned about having enough disposable income to save for retirement. Among working couples, four in 10 (38%) who aren't yet retired disagree about the lifestyle awaiting them when they stop working, with 22% of men expecting a "very" comfortable retirement compared with only 18% of women. Furthermore, their strategies to reach their retirement goals diverge: Women prefer to preserve wealth even if it means giving up higher returns (27% versus 20%).

Best advice

Interestingly, when asked to give their best advice to newlyweds on how to manage their finances as a married couple, women are significantly more likely than men to say "make all financial decisions together" (55% versus 48%). Retired women feel especially strongly about this issue, with nearly two-thirds (64%) offering this advice. Yet Fidelity's data show that only half (51%) the women surveyed have joint accounts. Gen Y women are most likely to keep separate accounts—only 43% share accounts, compared with 54% of boomers and 49% of retired women.

Numerous studies show that managing money is the most divisive issue between married couples, far outstripping chores or even in-laws. Yet in the four years since Fidelity has been conducting its annual Couples Retirement Study, women have made little progress in terms of engagement, awareness, or confidence about managing the couple's finances or planning their retirement. With women expected to outlive men by nearly five years, one lesson is clear: Regardless of their age, women must take the steps to educate themselves in order to be an equal partner with their spouse in the key financial decisions shaping their lives, now and in years to come.

Learn the three C's

To make sure both partners are equally comfortable behind the financial wheel, we recommend learning the "three C's" of couples communications:

- **Communicate:** Make it a point to set aside time to have meaningful conversations and identify shared financial goals. If extra help or guidance is required, a financial professional can often help sort through the important points to consider and can help facilitate agreement.
- **Collaborate on a plan:** Building a financial plan together gives partners an equal opportunity to understand their financial needs and how to get there. Planning allows couples greater control over how they can reach shared financial goals and helps identify potential hurdles and sacrifices that need to be made.
- **Control leads to greater confidence:** Having a plan leads to greater confidence for both partners, which brings greater peace of mind that a solid roadmap is in place to achieve their goals and dreams. Fidelity recommends reviewing a plan at least once a year to adjust for life changes and ensure everyone is still on the same page.