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Valentine money tips for a happy and successful union

February is the month of love, and for many a time to celebrate with their significant other. With so much romance in the air, now is also the perfect time to make plans with your partner to ensure a brighter financial future together.

Roseanne Murphy Harris, President of the Actuarial Society of South Africa, suggests that instead of allowing money issues to build up and cause conflict, rather make your finances a shared endeavour.

"Agreeing to savings goals is not about competing with or policing your partner, but about working together and encouraging each other on your financial journey," says Murphy Harris.

"It is therefore important for you and your partner to set common goals for your financial security, as well as to allow space in your budget for the occasional indulgence. This means talking honestly about your spending and savings habits, reaching a compromise and setting common goals."

She says that some of these goals may include saving towards a home, a child's education or financial security into retirement. In addition to working towards your long-term financial goals, she adds, why not keep each other motivated to save by investing towards a special holiday away together to celebrate a special anniversary.

She notes that you and your partner could, for example, commit to investing R500 each month in a long-term savings vehicle such as a unit trust portfolio, and increase this amount each year by 6% for inflation.

If your investment were to achieve an annual average return of 10% (net of fees), after five years you and your partner would have as much as R43 000 to reward yourselves with.

If you'd like to treat yourselves to a more lavish holiday such as a stay at an exotic beach location or skiing trip abroad, you could commit to saving R1 000 each month, also increasing this by 6% each year for inflation. Assuming that you then achieved the same 10% annual return, after five years you would have a princely R86 000 to splurge with.

She offers the following additional tips for managing your finances together:

1. **Draw up a detailed budget:**

"A budget is an important tool for managing and tracking your expenditure. Take the time to carefully think through and record all your monthly expenses, then look for places where you can cut back on your spending in order to prioritise your savings," says Murphy Harris.

She notes that once you have mapped out your expenses, you and your partner will need to discuss your approach to managing your household expenses. Some ideas could include contributing equally, contributing based on a percentage of your salaries, or each paying for specific expenses.

"When choosing your approach, however, the two of you will need to discuss how you will continue to monitor your budget and expenses, and also consider your individual debt levels," she says.

She adds that for your individual peace of mind, couples living together could further consider consulting a legal adviser about obtaining a cohabitation agreement that will outline what your respective financial responsibilities are.

2. **Create an emergency fund:**

Murphy Harris observes that many couples forget to account for occasional and unforeseen expenses in their budgets, such as school uniforms or new tyres.

"The best way to avoid panic is to ensure that you and your partner not only have as comprehensive a budget as possible, but also to create an emergency fund to cope with unexpected expenses," she advises. "This will then prevent one person from always having to take responsibility for unexpected expenses, which can be a source of tension."

She notes that you and your partner will need to agree on how much to put aside for emergencies, but that emergency funds typically amount to three months' salary.

3. **Carefully consider your insurance needs:**

"While you will be planning a long and happy future together, no one knows what may lie around the next corner," says Murphy Harris.

She states that in addition to your short-term insurance, it is therefore vital to safeguard your and your partner's financial future against the consequences of unexpected events such as death, disability and illness with adequate life, disability and critical illness cover.

"You must also remember to review and adjust your insurance cover as your circumstances change, for instance as you begin earning more or perhaps have children," she says.

She further emphasises that it is important not to underestimate medical expenses in the event of an illness or accident. "Having comprehensive medical aid is therefore key to your financial protection," she says.

Finally, she adds that it is important to make sure that your partner knows where the details of your insurance and medical aid policies are in case of an emergency.

4. **Discuss how to manage your savings and investments:**

Once you have a detailed budget, it is time to discuss your financial outlook and investment strategies, as you could find that one you may be a more cautious investor and the other more aggressive, notes Murphy Harris.

"Your financial approach needs to be discussed openly and honestly, and perhaps you will be able to find a compromise. In this situation, you could also consider having a separate account for living expenses in addition to your own individual savings," she says.

Finally, she notes that a qualified financial adviser would be able to offer both of you objective advice on your financial strategy and assist you in reaching an agreement.

"A trusted financial adviser will be able to help you choose the appropriate savings and investment products for your financial goals, as well as guide you in ensuring that you are adequately protected with the appropriate insurance for your individual needs," she says.

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