

Financial Smart Start for Newlyweds

Debt in Marriage

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Money is a terrible master but
an excellent servant.

– P. T. BARNUM

Debt Has a Negative Impact on Marriage

We have known for years that financial decision making can create stress in marriages. More recently research has shown that debt brought into marriage and debt that occurs after marriage are important features of that stress. It makes sense that worrying about owing people money causes problems for married couples.



When we think about debt brought into marriage, not only is there the worry about owing people money but also the potential blame associated with the debt if you or your partner brought significant debt into the marriage. One partner may resent having the other person's bills keeping them from purchasing a home, adding a child to the family or having enough money for a special date now and then.

We know several themes or recurring agonies to be true for couples when it comes to debt and the marriage relationship.

- When couples spend time and energy worrying about debt, they have less time to spend on their couple and family relationships.
- Couples with debt are less satisfied in their marriage.
- Couples with no major debt problems are happier in their marriage.
- Newly married couples who bring debt into their marriage are less happy than couples who bring little or no debt into marriage.
- Automobile and credit card debts brought into marriage are more likely to have a negative impact on marriage than debt incurred for school loans. (It appears debt that is viewed as an investment in the future is less likely to have a negative impact on marriage than debt that is not viewed as an investment.)

It is important to develop a plan to reduce debt before marriage, since it will help couples get off to a good start in the first years of married life. It is also important to keep debt to a minimum within marriage. We have some ideas on how that can be done. It requires willingness more than ability, but we invite you to consider how you can experience both qualities in your approach to debt and management of your resources.

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For Those Who Are Planning to Marry

Most couples do not want to talk about how much debt they have while they are in the midst of wedding and honeymoon planning. Couples do not want to bring up things that will take away from the romance of the wedding itself, and most would agree that talking about money is not very romantic.

Yet couples benefit, in both the short and the long run, when they begin to talk about the debt they have and agree on ways to manage or reduce it before the wedding. It is best to begin this discussion several months or a year before marriage. This will give the couple time to implement a plan and to reduce or eliminate the debt before the wedding takes place.

For Those Who Are Already Married

If you are married and experiencing stress over debt, it is not too late to start to eliminate and reduce debt. Because debt can accumulate any time, becoming skilled and acting to reduce debt will be useful any time during the marriage.

Taking Charge of Debt

Activity 1: Knowing What Is on Your Credit Report

Many people know about credit reports and that lenders look at a credit report before they grant a loan to a person. The credit report provides a detailed history of information about what is currently owed and what has been owed to other lenders. It also includes information about any missed or late payments to those lenders.

Most of us know our credit status, but occasionally when we look at a credit report, we realize we have outstanding debts we thought we had paid off. We may also find that the credit report is inaccurate and will give potential lenders misleading information about our credit history. Finding out that a credit report is inaccurate provides an opportunity to correct errors before trying to make a major purchase, such as a house or car.

The Fair Credit Reporting Act entitles consumers to a free annual copy of their credit report from each of the major credit bureaus. It is a good idea to know what's in your credit report. Look over your credit report for errors, mistakes or unauthorized charges. For your free annual credit report, go to the web site <https://www.annualcreditreport.com>. Some "copycat" web sites charge for a copy of your report, so make sure you enter the web address exactly. Beware of

imposter web sites. You can request your credit report by phone. The phone number for Annual Credit Report is **1-877-322-8228**. The operator will ask for information to verify your identity. (**Note:** It is not necessary to purchase your credit score when obtaining your free credit report.)

Activity 2: Sharing What You Owe

Talking about money is not always easy. Completing the exercises in the fact sheet *Understanding and Sharing Your Financial History*, FSFCS201, may be useful before completing this exercise. Use the worksheet entitled "Who Owes What?" located at the end of this fact sheet to help determine what you owe as a couple.

In preparation for completing the worksheet, each person may need to go through his or her bills and financial paperwork to gather the necessary information. If you have completed **Activity 1**, you may also use the information found on your credit report to help you complete this worksheet. After you have gathered the information, set aside a sufficient amount of time to sit down together, complete the worksheet and talk about what you have found.

When you have completed the worksheet, use the following questions as a way to begin to talk about actions you might want to take to deal with the debt:

- Is the debt load you have calculated manageable given your income? (The Power-Pay web site at <https://powerpay.org> is a helpful resource in answering this question as well.)
- What is your plan to reduce or eliminate the debt?
- If one of the following events should occur, how would our debt create difficulties in our marriage or family life?
 - a) A job layoff
 - b) An unexpected major expense (e.g., needing a new car, roof or furnace)
 - c) A medical problem that required time away from work without pay
- If we wanted to make a major purchase such as a home, how could current debt keep us from doing so?

If you decide as a couple that you want to take action to decrease or eliminate your debt, **Activity 3** will provide information about how to do that.

Activity 3: Reducing or Eliminating Your Debt

Couples may decide they want to reduce or eliminate debt before marriage. Here is how one person accomplished that goal:

Jack's Story – Upon graduating from college, Jack was \$15,000 in debt. He was also recently engaged to be married. Jack's debt included student loans, a car loan and some credit card debt. Jack was fortunate enough to get a permanent job offer from the local accounting firm where he had worked as an intern while he was in school. Rather than getting an apartment of his own or a new car or some other "well deserved" luxury item for himself as a reward for graduating and finding full-time employment, Jack stayed put. Jack continued to live in the same apartment he had been sharing with three roommates. The rent was reasonable, and they were able to share utility costs. Jack also decided to prepare most of his own meals, including brown bag lunches, instead of eating out. By maintaining his modest style of living, Jack was able to quickly pay off his credit card debt. He paid it first since it had the highest interest rate. He then applied those payments to his car loan. Once the car was paid off, he put all of his extra money towards paying his student loans. Jack was married one year after graduating and began his marriage debt free.

Jack did several things to eliminate his debt. They are effective practices for an individual or a couple:

- Do not do anything to add to debt.
- Identify ways to live on less, cut spending and use the money saved to pay off debt.
- Pay off bills that have the highest interest rates first.
- Once a bill is paid off, apply the money for the paid-off bill to another bill.

Whether you are planning a marriage or are already married, the principles identified above can be used to reduce or eliminate debt. Here is an example of a step-by-step process to reduce or eliminate debt:

1. Identify a debt item or items you want to eliminate. An item with the highest interest rate or a debt with a relatively small balance may be a good choice.
2. Set a deadline by which to eliminate the debt, and calculate the amount of money to put towards that debt each month to meet the deadline you have set.
3. Identify specific things you spend money on now that could be decreased or eliminated to free up money for reducing the debt.

4. Try the plan for three months. Evaluate how it is working.
5. Adjust the plan, if necessary, to realistically achieve your goal.

For additional information on managing debt, see the other **Financial Smart Start for Newlyweds** fact sheets in this series.

Recommended Resources

- www.arfamilies.org – The Arkansas Families web site of the Cooperative Extension Service has the latest research-based information on family life, personal finance, nutrition, health and personal development.
- <https://powerpay.org> – PowerPay features online financial calculators to help you design your best money management plan. Go to <https://powerpay.org> and click on the "Arkansas" tab. Features include:
 - PowerPay: Discover your fastest debt repayment plan.
 - Spending Plan: Compare what you spend to experts' recommendations.
 - PowerSave: Project savings based on different options.
 - Calculators: Calculate house and transportation costs, emergency savings and more.
- **The Marriage Garden** – Creative, research-based marriage education curriculum that focuses on six keys of healthy marriage relationships (available at www.arfamilies.org or by contacting your local county extension agent).
- **The Seven Principles for Making Marriage Work** by John Gottman – A practical guide from the country's foremost relationship expert (available from most booksellers).

You have just completed *Debt in Marriage*, FSFCS202.

Please check out these other fact sheets in the **Financial Smart Start for Newlyweds** series:

Financial Smart Start for Newlyweds: Introduction, FSFCS200

Understanding and Sharing Your Financial History, FSFCS201

Realistic Expectations About Expenses and Income, FSFCS203

Creating and Sticking to a Budget, FSFCS204

Credit and Overspending, FSFCS205

Money, Manipulation and Power, FSFCS206

Worksheet 1: Who Owes What?

With your partner, prospective spouse or spouse, fill in the amount each of you owe or will owe in each of the following categories. Include amounts you will have to pay once you finish school or the deferred payment period ends. Add your two subtotals together to find what your total debt will be as a couple. Be honest about all your debt.



Type of Debt	Partner 1	Partner 2
Student Loans		
Outstanding Medical Bills		
Outstanding Utility Bills		
Auto Loans		
Credit Card #1		
Credit Card #2		
Credit Card #3		
Credit Card #4		
Home Mortgage		
Department Store Debt (e.g., furniture, electronics, etc.)		
Private Lender		
Other		
Subtotal		
Couple Debt Grand Total		

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FSFCS202-PD-5-08N

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