

Planning for Couples

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As planners, we likely have had the experience of sitting down with a couple who are prospective clients and immediately sense tension between the two partners. Sometimes you feel the tension in the room. In other instances, one partner may blatantly say, "We're here so you can teach her how not to spend so much money" or something similar. The essence of the tension comes down to "I'm right, you're wrong," and in some instances a planner has been hired to prove that point.

This type of issue affects nearly every couple we work with in different ways. It may be the doctor and homemaker who have to pay the house note from the credit line this month. It may be the engineer who requires her family to track every expenditure in the household. Or it could be the sales rep and marketing executive who are always off to the next exotic location before the bonus is actually earned. We have found it useful to characterize these folks into two broad categories—creators and preservers. At the core of these personality types is to "get safe" or "be okay."

Creators see life from the top down. "How much money do I have to make to live the lifestyle I want?" Typically this desired lifestyle is just a bit higher than where that person is now. The key is to create more income so he or she can live more life. And once that is accomplished, that person can finally be happy. The first problem is that being happy is a moving target, and involves something newer, nicer, or more prestigious than what that person currently has. The second problem is that these creative minds can often conceive of and implement expansions in lifestyle at a much faster rate than their incomes can expand. So the essence of the question is "How much?" for creators.

Preservers see life from the bottom up. "How little money do I have to spend so I can be safe?" is their mantra. The converse of the creator, the preserver's goal is to live a lifestyle that is just a bit more constrained than the person's current lifestyle. The key is to spend as little as possible, pay down debt as quickly as possible, and live as frugally as possible so as not to get caught unprepared. This fear-based way of thinking often involves a great deal of self-denial for the person and his or her family, and puts a great deal of focus on the money itself as a source of security. Often the preserver is characterized as a control freak or wet blanket, and characterizes the creators in the family as frivolous. So for preservers, the essence of the question is "How little?"

We see all permutations of these two archetypes in our work with couples. Two preservers poring over their spreadsheets. Two creators wondering how they can get a better rate of return so they can redo the kitchen and retire early. A creator and preserver who simply cannot understand why their partner insists on sabotaging their financial life.

Seek to Understand

So how do we deal with these issues? As Stephen Covey says, "Seek first to understand." This is really a three-step process.

First, one of the most crucial parts of the financial planning process is to establish clear goals, and to understand the "why" behind those goals. An exploration of the "why" is important in order to uncover whether the goal is authentic or driven by fears. We recommend that couples each complete a goals statement that includes a list of core values, specific goals, and an interior assessment of what is important, what motivates, and what frightens that person. Once you have an understanding of each partner, you can assess where the couple's similarities and differences lie.

Second, seeking first to understand requires us to suspend our judgment of both partners. This may require some interior work on our own part, either individually or with the help of a therapist or coach. Rich Kahler,

CFP®, and Kathleen Fox have just written an extraordinary book called [*Conscious Finance*](#) that contains exercises to help lead readers through their beliefs about money, and explore how those beliefs manifest themselves in life. Once we as planners are able to suspend judgment of our clients, we can ask each partner to do the same for each other. It is important to clearly state that judgmental language will not be acceptable during planning sessions. We set up ground rules, or disciplines:

1. Do not use judgmental language such as "You're just a spendthrift"; instead, use language that inquires with curiosity—for example, "I'm having a difficult time understanding why you spent money when the checking account was empty. What was important enough for you to do that?"
2. Honor who everyone is and how they process information, and allow them to come to the engagement in their own way.
3. Understand that your way is not "right" but simply the way that makes sense for you.

Third, seek to understand the quantitative aspects of the couple's financial life. The numbers speak a story that clients cannot articulate through their emotional lenses. Therefore, detailed development of a net worth and cash-flow statement is integral to the planning process. This stage of fleshing out the numbers and making sure that everyone understands them allows both partners to be part of the process and builds a common language they may not have had before.

Let the Number Crunching Begin

Now that you and both clients understand the interior and exterior aspects of their financial situation, the number crunching can begin. Based on the couple's best-case-scenario goals, you can determine if they will be able to meet those goals given their current behaviors. If the analysis shows that only minor modifications to the current financial situation will be necessary, discussing specific changes to their current strategies will probably be productive. If the analysis reveals that major changes to either the clients' current lifestyle or future goals will be necessary to make the plan work, it is often helpful to return to the "why" or emotional aspects of where we are (via the net worth statement), where we want to go (via the goals statement), and how we are going to meet our goals (via the cash-flow statement). For example, if we find a high income earner has little savings and a highly positive cash flow, we can explore where that money is really going and why. What's so important that the surplus isn't going to savings? Is the client afraid of looking unsuccessful, so they keep buying luxury items? Do they continue to tell themselves that this is the last purchase of that kind? And how is this affecting the dynamic between the partners? Now that the client has a good understanding of the basics of their financial situation, they may have better insight as to why they haven't been able to overcome obstacles on their own. If they are having trouble identifying why they have failed to meet their goals in the past, it is helpful to consider a few key questions at this point:

1. Are the goals they have authentic or out of a sense of "should" based on interior beliefs?
2. If the goals are authentic, what behavior is keeping the clients from reaching their goals?
3. When do the clients find themselves participating in those behaviors?
4. What would support them to not participate in those behaviors?
5. What behavior will they substitute for the behavior that isn't serving them.

If during this discussion the conversation becomes difficult, deteriorating into old resentments or complaints about one another, return to your previous work as a foundation, such as reminding them of their shared purpose as a couple. Ultimately you are anchoring them to what they care about more than their individual grievances.

Again, it is important to be grounded in the numbers and exterior data while being informed by the emotions and interior data. By analyzing the data and reevaluating goals and priorities as necessary, it is relatively easy to come up with the numerical answers of how to make the plan work. Once those answers have been established, the question of how we actually make it happen comes to light.

Once again, honoring who each person is is the most important aspect of this stage in the process. Let's say the goal is to redirect funds toward savings goals, like a new house, college, or retirement. For creators, it works well to approach this in a classic "top down" fashion. Segregate sources of income into percentages before they flow to the operating account. Having established priorities, the client may decide that 50 percent of all income will go to lifestyle, 30 percent will go to retirement savings, and 20 percent will go to college savings. As the income goes up or down, the client can expand or contract spending as he or she is able. What works well about this is that a creator doesn't get stuck on a number making them safe. For example, if income doubles while the savings level remains at, say, \$1,000 a month, but lifestyle also doubles, the savings will not keep up with the lifestyle expectations.

This percentage system also works well from the standpoint that the decision of where to invest extra money is philosophically answered in advance. If I have \$1,000 extra, I will allocate the funds in the same percentages as if I have \$25,000. Only when I reach certain "stop" indicators will the funds be redirected to other accounts or goals.

Bottom-Up Approach

Preservers do best with a "bottom up" process for directing funds to goals and objectives. Since their tendency is to spend less than they have, it is likely that their spending will not expand as fast as or beyond increases in income. Therefore, using a flat figure for savings goals does not bear the risk that it does when working with a creator. So with a preserver, an excellent strategy is to say, "You need to save \$X a month, no matter what. Once you've saved this amount of money, you can do anything you want with the rest." This gives the preserver permission to spend anything extra in the operating account while knowing that the savings goals are taken care of. It almost always happens that some of the extra will go to savings as well, but at least the preserver is able to spend the extra money relatively free of worry or guilt.

Last in the process, it is important to establish an appropriate feedback loop based on the learning style of each partner.

As we develop the body of knowledge in the financial planning profession, we will develop more effective and efficient tools and processes that will provide greater results to planners and the couples they work with. There is a great deal of work being done regarding gender, communication, and interior skills in reference to money.

In closing, we offer a few considerations when working with couples:

1. Clearly establish commitment and common goals.
2. Develop disciplines and agreements as necessary early in the process.
3. Stay grounded in the numbers while being informed by the emotions. We are financial planners, not therapists.
4. Know your interior and exterior skills and limitations.
5. Be aware that some behavior comes out looking different from the feeling; for example, sadness or fear often is exhibited by anger or distance.
6. Clearly understand the scope of your engagement and expertise. Refer clients to therapists or coaches as appropriate for deeper interior work.

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