he smart way to ɩin finances this alentine's Day

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This is what you need to know before you combine finances. Image: Getty

This Valentine's Day new romances will blossom, and others will deepen their commitment by deciding to join finances.

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With money being the number one cause of relationship breakdown (Relationships Australia, Relationship Indicators Survey, 2011), it is wise to proceed cautiously when mixing money and love.

Firstly, if the thought of joining your finances makes you uncomfortable, don't do it yet. Just like it's no longer assumed that couples will formally marry or have children, neither should fully joining finances be a forgone conclusion.

Combining finances has positives and negatives. Image: Getty

One way to start from early on is to share the costs of each date. This is a good way to gently get a sense of how your new flame relates to money and spending.

Are they showy, frivolous or frugal?

Are they brave enough to speak up when your awesome activity idea is out of their financial reach?

When planning your first big holiday together set up a joint saving account and each commit to regular, automatic deposits.

Take the same approach when saving for other big life events such as a home deposit, engagement party or wedding.

If you choose to live together manage your money like housemates, sharing the rent, groceries and joint entertainment.

With each step, keenly observe your partner and yourself and how you navigate your inevitable differences in money management. If alarm bells ring, either get professional help or get out.

A few words of caution

There are things you need to be aware of. Image: Getty

Joining finances prematurely can undermine the health of your relationship by masking bad habits before they've been addressed.

Along similar lines, do not guarantor a partner's loan until you're married or long-term committed to each other.

Desire for something you can't yet afford is a good motivator for learning healthier behaviours. Plus, if the relationship turns sour, your former love could leave you saddled with the repayments.

While moving in together can seem like a smart way to save money it can also be a dangerous decision.

Couples need to be aware that though you may not have fully joined your finances, the law may see it differently in the event of a nasty break-up or premature death.

Many people forget they have default life insurance in superannuation, sometimes in the hundreds of thousands of dollars. I you prematurely pass away your de facto partner may be eligible to receive it all. To prevent that happening ensure you complete a beneficiary nomination in your superannuation and have a properly executed Will.

If you've been living together long enough to be considered de facto under family law, then a nasty break-up could see your former partner claiming some of your hard-earned assets. This is a complex area so when there's a significant difference in income, assets or money habits it pays to not rush into living together. If you're concerned, consult a family lawyer to learn about your options.

- *Certified financial planner Matt Hern.*

Matt is a money coach and author of the mini guide 'How to Stick to a Budget'. Using his experience as both a Certified Financial Planner™ professional and coach Matt helps couples navigate the difficult conversations and decisions when mixing money and love.

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