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On juggling multiple careers

5 MISTAKES WOMEN MAKE WITH MONEY *(AND LOVE)*

YOUR GUIDE
to taking on the Big Apple

Kaftan queen Camilla Franks

Slashies
Meet five of the best

Yours & mine

When you're the heady days of a new relationship, the last thing on your mind might be how to divide your assets and property in case you split up or what clauses you need in your pre-nup. And that's exactly why the best time to consider these issues is before you get loved up.

Some people may be dead against such financial agreements, preferring instead the idea that "it's going to be our money".

While that's a wonderfully romantic notion, Sydney-based lawyer Fay Frischer explains: "I always say that at least if the legal and financial issues are bedded down first, the parties can concentrate on developing the emotional aspects of the relationship without such an impediment."

Fay is referring to binding financial agreements – often signed before a couple is married – to ensure that the financial position of both parties are clear, whether in marriage or divorce. However, it's not all about pre-nups. Here are five big mistakes women make when it comes to money and love.

MISTAKE 1: You don't discuss finances early enough

When you've started a new relationship, you might not want to bring up the usually taboo subject of money too early. But if you're not clear about each other's attitude to money, this could cause serious problems. Joan Baker is a wealth coach with www.wealthcoaches.net and works across Australia and New Zealand. She is also author of *Smart Women, Smart Money* and *A Man is Not a Financial Plan*. She says: "It is common for people to get a rude awakening further on when they realise that they are partnered with a shopaholic, spendthrift, someone who is irresponsible with money and who may even already have or continue to incur significant debts.

"We are often attracted to people who live in the now, are spontaneous and generous and live life to the full. However, this attractive side can often mask serious problems with personal finances.

"Similarly, what may initially seem responsible, manly and protective may hide a rigid, miserly, controlling approach to money.

It's important to talk early on about how you deal with money, what your respective attitudes are and how you were brought up to handle money.

"As things become more serious be sure that you know what the other person owns/owes, what kind of income they have/how

ours

Partnerships aren't easy, especially when you throw romance and cash into the mix. Here are five big mistakes women make with money and love. By Valerie Khoo.

they get it and what their expectations are about joint expenses. This doesn't sound very romantic and it goes without saying that you need to approach these conversations with sensitivity. But it's absolutely essential from a financial health perspective that you know what you are signing up to."

MISTAKE 2: When you don't have a pre-nuptial agreement

Joan adds that it can be unwise not to have a pre-nup or property sharing agreement especially if partners bring unequal assets to the relationship. "When couples are very young they usually bring no assets to a relationship," she says. "But, over time, you may accumulate assets to a level that differs vastly from your potential partner.

"Often partners are bringing quite unequal assets to a new relationship – property, a business, career income, superannuation, and other investments. Similarly, each individual may have existing children. While pre-nups/ property sharing agreements are not foolproof and may be attacked legally, they provide an additional level of protection to you, your assets and your children, if you have existing children."

Joan adds that, at the very least, talking about a pre-nup forces you to have important conversations about your assets and how they should be treated in the relationship. "Many people – women especially – seem to find it very difficult to believe that their love is not fully reciprocated and eternal," she says. "Many also find it hard to believe that others would behave badly in the event of a relationship breakdown. The facts suggest otherwise! I think it is very important to be clear about what's yours, what's his and what will be joint property over time." ▶

MONEY: Just talk about it

Belinda Jackson is chief executive officer of www. webchameleon.com.au. She works with clients on online marketing strategies and money mindset issues.

Belinda says that frank and regular communication about money is vital in a relationship. She and her husband Dave have a weekly "Monday Money Meeting".

WHY DID YOU DECIDE TO DO THIS?

"Initially, the purpose was to keep me clear on all that was happening financially with the business. I needed this to keep focused, as the business had grown to a point that I was not involved with the accounts and finances on an everyday basis. We discuss things like what bills we have coming up, what payments we expect in the next week to hit our account, our taxes, super and more. And of a more personal nature we also discuss our family finances as part of the Monday Money Meeting."

WHAT HAS RESULTED FROM THIS REGULAR COMMUNICATION?

"Focusing very directly on our money matters every week has been instrumental in seeing a positive growth in income – what you focus on often grows. We now track the results of the business in much more detail and this keeps our focus on growing the business in a way that suits us."

HOW HAS IT BENEFITTED YOUR FINANCES OR RELATIONSHIP?

"Personally, I now have greater clarity in relation to all money matters. It's also resulted in a more effective working relationship with my partner – who works part-time in my business. The biggest plus of all is that our focus has meant we are continually improving our money results."

MISTAKE 3: When you don't keep separate accounts

Just like the movie title, there should be "Yours, mine and ours". Janna Fikh from Sydney-based www.fletchertaxaccountants.com.au says: "Every day I see couples who are 100 per cent devoted to each other, with their eternal love proclaimed loud and clear in all areas of their lives, but most of all – in the money department.

"Money appears to be a joint possession with funds often going into the one account and then disbursed to cover the mortgage, the shopping bill and so on. And then disaster strikes – your partner becomes bankrupt and your entire joint account is frozen or your partner suffers from a mid life crisis and disappears temporarily – with your joint account balance! Or they disappear permanently and remove your name from the joint account."

Janna says it's important to protect yourself in such situations by not putting every single thing you own into the same "pot". She says: "Protect yourself and your partner from the 'what ifs' and the 'it will never happen to me/us' and have separate as well as joint accounts and assets."

MISTAKE 4: Not being smart about income splitting

If one person in the relationship is in a much higher tax bracket than the other, it's a good idea to talk to your accountant about tax-effective income splitting strategies. Accountant Janna Fikh says: "If a material income difference exists within your household, aim to take advantage of tax brackets. Why should one spouse suffer paying the top marginal rate of tax at 45 per cent and the other at 15 or 30 per cent? My advice would be to structure – and restructure where possible – your tax structures and investments so as to allow efficient income splitting amongst spouses – not to mention improved cash flows from the tax you've saved!"

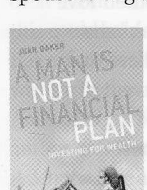
MISTAKE 5: No super contributions for the stay-at-home spouse

You might be contributing to superannuation now that you're working but let's say that you take some time off earning an income because you want to focus on raising a family. Don't just resign yourself to the idea that just because you're not earning an income, you can't contribute to your super fund.

Janna says there are a couple of strategies to consider. "Spouses who are on low income earnings should consider personal co-contributions to their superannuation fund, whereby the government will provide $1 for every dollar you contribute up to $1,000, during the 2009 to 2012 financial years.

"Further, an often forgotten tax offset is the superannuation spouse contribution tax offset. A bit of a tongue twister, but it allows a person to claim a tax offset of up to $540, being 18 per cent of $3,000 (maximum), on super they pay on behalf of their spouse if they have a low or nil income.

"Being an offset, it directly reduces their core tax payable and is a nice offset to take advantage of if your circumstances allow for it. These are not massive tax savings but why not take advantage if a low-income spouse is eligible?" L



Joan Baker's book A Man is Not a Financial Plan *is published by* Allen & Unwin.

BINDING AGREEMENTS

Aren't you worth protecting?

Lawyer Fay Frischer, who also runs seminars on the legal issues you need to consider in case your relationship breaks down, says that when it comes to binding financial agreements, "the prime movers still appear to be the men who have acquired assets previously." However, Fay recently had a female client who came to her to draw up a binding financial agreement. "In the end, my client advised that she and her partner would marry without the document," says Fay.

"These matters can become very cumbersome when it comes to the concept and legalities and, sometimes, it can be easier to withdraw. On the other hand, the men are protective of their assets and insistent on the binding financial agreement."

Avoid uncertainty

Fay says she would always advise signing a binding financial agreement. "If the parties do not have a binding financial agreement then they are subject to the legislative demands and the division of assets under the Family Law Act.

"If you Google the legislation you will see that the court will consider two distinct sections, s75(2) and s75 and it is all about contributions and standards of living and needs to determine how the division will apportion assets.

"Where it gets really tough is the situation when the parties come into the relationship with assets and then, with the passage of time, the initial contributions are watered down and the courts will say that it all becomes blended into the family's melting pot."

Avoid the argument later

Although it can be an awkward conversation when you start talking about a binding financial agreement, Fay says: "At the end of the day it is always preferable to enter into a binding financial agreement and save the argument later.

"Mind you, although this arrangement is intended to oust the jurisdiction of the court, there are always instances where one party may file an application in court to set aside the binding financial agreement on a valid or a technical ground and seek a property settlement that will climb into the other party's assets.

"The only guarantees in life are death and taxes and perhaps the concept that on a break up of a relationship – especially if one party cheats on the other – anything is possible."

Fay Frischer can be found at www.lawyerlanecove.com.au