

Tip Sheet



Tips for Service Providers: Healthy Financial Management Skills

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Healthy financial management skills can be strong predictors of happy relationships. Couples who communicate effectively about finances, have little or no debt (or who are actively working toward paying off their debt), and live within their means tend to be more stable and satisfied in their marriages, while those who struggle with financial issues often have increased stress and tension in their relationships.¹ In addition, higher income and asset levels are generally associated with higher levels of relationship satisfaction. Marital status and education levels affect income, as married couples tend to have higher income levels than non-married couples and research shows strong relationships between higher education and increased earnings.²

Individuals and couples need to develop healthy financial management skills in these areas: earning, spending, saving, borrowing, and protecting against risk.³

Service providers should understand why finances are important to relationships and how they can help couples develop financial management skills. Visit www.HealthyMarriageandFamilies.org/Economic-Self-Sufficiency and look under Asset Building to access free tip sheets and Federal resources that can help your clients develop their financial management skills.

Spending

When the members of a couple want to spend their money in different ways it can lead to disagreements and conflict.⁴

Identify money habitudes. When individuals have a good understanding of their partners' habits and attitudes, or "habitudes," towards money, they are more likely to have discussions and negotiate conflicts in healthy ways. Using resources such as Syble Solomon's Money Habitudes products can be a constructive way to help couples discuss money and learn more about each other.⁵

Prioritize spending and live within their means. Healthy couples do this by spending less than what is earned while prioritizing needs (what is necessary) versus wants (what is desired).

Ask tough questions and set SMART goals. Encourage your clients to ask questions such as, "What would our lives be like if our finances were in order?" As part of this discussion, encourage them to set and implement specific, measureable, achievable, relevant, and time-based (or SMART) financial goals.

Track and reduce expenses while following a budget. Clients can track expenses by first carefully identifying all expenses. They should then work to reduce their debt by making strategic payments and getting rid of unnecessary expenses.

Borrowing and Using Credit

Consumer debt and financial problems are robust predictors of divorce because an increase in these issues often causes relationship conflicts to increase.⁶

Avoid debt and manage loans wisely.

Urge clients to stop adding to debt, pay extra toward debt payments when possible, and avoid payday loans. You can help clients understand how to use credit cards wisely, in ways including protecting against fraud, using the period before interest accrues, and building credit without paying interest. However, you should also make sure they understand that the costs of using credit cards include paying interest, late fees, transfer fees, over-the-limit fees, annual fees, and cash advance fees.

Build good credit. Explain the importance of paying bills on time in order to build a credit history with a good credit score. Teach your clients about credit. For instance, explain that an average credit score is around 675; a good credit score is around 720 or higher.



Protecting Against Risk

Explain the benefits of using mainstream financial institutions. All couples and families are potentially at risk due to issues such as a lack of insurance or emergency funds or becoming victims of fraud and identity theft.

Get banked. Encourage clients to use checking and savings accounts for financial transactions and avoid high-cost sources of credit like payday lenders and pawn shops. Introduce the

idea of using a safety deposit box for important papers as one way of encouraging families to use banks.

Purchase adequate insurance.

Inadequate insurance is a major predictor of financial breakdown and bankruptcy. Couples should be informed about the

benefits of securing adequate health, auto, homeowner, and life insurance.

Have an emergency fund. Explain the importance of developing an emergency fund for both small and large unexpected expenses. For example, you can work with clients to set up a system for saving a portion of each paycheck, where possible, to put toward an emergency fund.

Strong Families: Tips for Healthy Financial Management

A companion tip sheet is available to share with families interested in learning about healthy financial management: <http://tinyurl.com/families-fm-p>

Sources

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⁵ Visit <http://www.moneyhabitudes.com/> to learn more.

⁶ Dew, J., Britt, S., & Huston, S. (2012). Examining the relationship between financial issues and divorce. *Family Relations*, 61, 615-628.

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