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DEBT BROUGHT INTO MARRIAGE: THE ANTI-DOWRY

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SOME FACTS ABOUT DEBT BROUGHT INTO MARRIAGE

Money is one of the topics couples fight about most often. It is also a contributing factor in divorce. Debt brought into marriage is an especially troublesome part of many couples' money problems. Research shows that debt brought into marriage is the number one problem for newlyweds (Center for Marriage and Family, 2000; Schramm & Lee, 2003). In fact, 67% of women and 74% of men enter marriage with at least some debt (Schramm & Lee, 2003). With the exception of home loans, debt comes primarily from auto loans, credit cards, student loans, and medical bills (Schramm & Lee, 2003). Unfortunately, debt never rests, sleeps, gets sick, or goes on vacation and as long as you have debt you will be in financial bondage. Marrying into debt is a big responsibility to take on and in many cases is so unappealing that the debt serves as an anti-dowry. On the other hand, nothing is more appealing or liberating than being debt free.

HOW DEBT AFFECTS THE MARRIAGE RELATIONSHIP

- It is estimated that many American adults spend up to 80% of their waking hours either earning, spending, or thinking about money (Olson, 2003). That's more time than we spend focused on any other topic, including sex.
- Debt brought into marriage causes strain on the marriage relationship because it forces us to focus most of our time and energy on money.
- There is evidence that couples' financial problems (including debt) are linked to increased levels of stress, conflict, and marital duress as well as decreased levels of marital satisfaction (Sanchez & Gager, 2000). Financial problems are frequently cited as a major reason for divorce (Sanchez & Gager, 2000).
- In a study of 21,501 couples, Olson (2003) found that 66% indicated that problems associated with major debt was one of the top five financial stumbling blocks in marriage. In contrast, he found that one of the unique strengths of the majority of happy couples was that they did not have major debt problems.
- Carlson (2002) found that indebtedness had been a factor in many college graduates' decisions to delay marriage and/or childbearing because starting a marriage with large amounts of debt places a great strain on the relationship and may put the marriage in jeopardy from the beginning.

DEVELOP A DEBT ELIMINATION PLAN

Debt can be addressed prior to getting married or after you get married, but either way it must be addressed. But remember that the less debt you have going into marriage, the greater your chances for success and happiness in marriage (Schramm & Lee, 2003). So consider paying off your debt before tying the knot. Here's how one person did it.

Doing It by Yourself

Jack's Story - Upon graduating from college, Jack was $15,000 in debt. He was also recently engaged to be married. Jack's debt was a combination of 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, 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, and once the car was paid off he put all of his extra money towards paying his student loans. One year after graduating Jack was married and he began his marriage debt free.

Doing It as a Couple

Determine what each spouse owes – preferably prior to getting married (Worksheet 1). No bank or car dealer would think of lending you money and entering into a financial contract with you without first checking your credit history. They do that because they want to see if you are worth the risk. They don't want to get burned. If you are seriously considering marriage you owe it to yourself and your spouse to share your financial status. Share banking, checking, and credit card statements as well as a knowledge of all your debt (use *Worksheet 1: Who Owes What?* to help you do this). It's also a good idea to share your credit reports with one another. You can order your personal credit report from one of the major credit reporting agencies: Equifax at (800) 685-1111, TransUnion at (800) 888-4213, or Experian at (888) 397-3742).

Develop a plan to begin reducing debt now that will continue into marriage.

1. Communicate – This is the most important thing you can do to minimize financial fights. Sit down together and share your financial information with one another, including what you make, what you've saved, what you own, and what you owe.
2. Don't keep secrets – It's a bad idea to hide your debts. Share your debts, family financial upbringing, and current views on money with your fiancé or spouse.
3. Establish common goals – If you are both in agreement you will be more willing to work together to meet those goals. Start by answering the following questions. What do both of you want to do with your money? How will you get out of debt?
4. Quantify your goals – Goals that aren't written and formalized are little more than wishes that often go unfulfilled. Plot out exactly how and when you will pay off your debt. Use one of the suggested books or Web resources to help with this.
5. Develop a budget – Keep a money diary to get you started. Keep track of everything you spend. Then you will know where your money goes. You can't stay within your budget if you don't know where your money goes.
6. Use savings to pay off high interest loans – Having some emergency savings is wise, but if you're paying more interest than you are earning, consider paying off your loans with savings.

7. Switch to a credit card with a lower interest rate – Many low interest credit cards exist. Shop around and choose one that gives you a consistently low rate. Don't pay more than you have to.
8. Consolidate your debt – Find one low interest loan where you can combine all your debt and have only one payment. This will reduce your monthly payment and help you pay the debt off more quickly.
9. Pay more than the minimum due – Do this on credit cards, mortgages, or wherever you can. You will end up paying much less for things in the long run and you will pay them off more quickly.
10. Cut spending - Spend less and put the money you save toward paying off debt. Do this by budgeting, kicking an expensive habit, and leaving credit cards at home (or getting rid of them).
11. Be a financial housekeeper – One of you should take the lead in managing your finances to make sure bills get paid on time and checkbooks get balanced. However, both of you should be aware of and take responsibility for your financial situation.

REFERENCES

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Center for Marriage and Family. (2000). Time, sex, and money: The first five years of marriage. Creighton University, Omaha, NE: Center for Marriage and Family.

Olson, D. (2003). National Survey of Marital Strengths. Retrieved April 2, 2003, from http://www.lifeinnovations.org.

Sanchez, L. & Gager, C.T. (2000). Hard living, perceived entitlement to a great marriage, and marital dissolution. *Journal of Marriage and Family, 63*, 708-722.

Schramm, D., & Lee, T. R. (2003). The Utah Newlywed Study. Unpublished manuscript.

RECOMMENDED WEB SITES

Consumer Credit Counseling Service, URL: www.cccsatl.org
Myvesta: A Nonprofit Consumer Education Organization, URL: www.Myvesta.org
National Endowment for Financial Education, URL: www.nefe.org
Newlywed Finances, URL: www.NewlywedFinances.com

RECOMMENDED READING

Burkett, L. 2001. *Debt-free living: How to get out of debt and stay out.* Chicago, IL:Moody Press.

Kobliner, B. 2000. *Get a financial life: Personal finances in your twenties and thirties.* New York, NY: Simon & Schuster.

Longo, T. 1997. *10 minute guide to household budgeting.* New York, NY: Macmillan Spectrum/Alpha.

Shimer, J.C. 1992. *Secrets to financial success in marriage.* Successful Financial Planners Publishing.

Welch, S. H. 1996. *10 minute guide to personal finance for newlyweds.* New York, NY: Macmillan Spectrum/Alpha.

WORKSHEET 1: WHO OWES WHAT?

With your partner, fiancé, 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. It won't help your marriage to suddenly remember some additional debt after your wedding day.

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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