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Understanding how couples integrate finances

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When it comes to how couples manage money, not everyone jumps to join their accounts.

New research from the University of Georgia looked at demographic and personal factors that revealed what makes couples more or less likely to pool finances.

A survey of more than 600 married or cohabitating individuals found that moving in together was not enough of a reason to combine finances. While some traditional indicators of stability—marriage, more dependents and higher net worth—increased the likelihood of joint accounts, having two sources of income made couples more likely to split finances.

"I just always assumed, based on my family background, that couples always pool their money. If they were married, they just pooled assets and income and made joint decisions," said the study's co-author John Grable, an endowed professor in UGA's College of Family and Consumer Sciences. "That's not always the case, and this study shows we can actually identify groups of people or profiles of individuals and couples where pooling resources is not as common."

The study's authors believe these results can not only help other researchers and financial counselors gain insight into financial integration styles, but they could help couples understand their approach to joint finances.

"Our research does suggest that people have a really hard time talking about money," said co-author, Ph.D. graduate, UGA part-time lecturer and financial planner Michelle Kruger. "So, if they're able to even establish whether they have the same kind of goals and values when it comes to spending money, that probably indicates a level of cohesiveness."

Combining resources or keeping accounts separate

The study found that married participants were 4.5 times more likely to have pooled finances, which Grable said is expected.

"Pooling assets in a case where there's not a marital agreement can be really dangerous for the couple and the individual because the law doesn't provide the same protection for unmarried cohabitating couples as it would for a married couple," Grable said.

The impact of net worth, on the other hand, was more surprising.

Individuals identified their household's net worth as positive, zero or negative. Couples with a positive net worth, meaning their combined assets were higher than their combined debts, were more likely to merge finances. Those with a neutral net worth were less likely to combine, and negative net worth did not have a significant impact either way.

"To me, it was interesting that it wasn't driven primarily by income. It wasn't necessarily the level of debt that mattered, but the net worth," Grable said. "And debt could include credit cards, student loans, auto loans, mortgages, those kinds of things."

Researchers also found that a growing household could push couples toward joint accounts. With a one-person increase in household size, the likelihood of a combined account increased by about 20%.

On the other hand, individuals with a bachelor's degree or higher level of education were slightly less likely to combine accounts. And couples with multiple income earners were about 50% less likely to pool finances. If both partners have income, they may choose to manage that income alone, researchers said. A non-working partner, however, could face challenges if they could not access any household income.

"If there's one income earner, and I make the income, do I feel entitled

to make all the decisions on how the income is spent or saved? That can create a power dynamic problem in a relationship," Grable said. "The pooling of assets helps alleviate some of that."

Conversation a key factor in financial decisions and relationship health

Aside from demographics, agreeing on spending was also a top indicator of how couples manage their finances. Couples who had more open conversations about money and agreed with their approach were 105% more likely to combine their accounts.

"Agreeing on spending mattered a lot," Kruger said. "That's a good thing. That's something we want couples to factor in when they are making decisions about how to manage their money, whether that's together or separate."

This aligns with existing research, which shows that couples who pool resources tend to exhibit more stability in their marriage, Grable said.

"If a couple decides because they don't agree on spending to kind of keep things separate, that's a potential warning sign there might be stability issues or power structure issues within that couple," he said. "It's not something to be alarmed about, or a predictor of divorce or separation, but it is something to consider."

While this study provided insight into how couples might approach their finances, there is not a hard and fast rule for what financial integration style sets couples up for success. That has to come from communication and seeking out resources or help when issues arise, researchers said.

And when they seek out guidance from a financial planner or counselor,

a better understanding of these factors can help guide conversations and steps forward.

"There are so many different ways that couples do this. What's most important is that they find a system that works for them," Kruger said. "But when there is trust and communication, couples can come to a place where they're both happy with how they're managing things."

More information: Michelle Kruger et al, Factors Associated with Couples Pooling their Finances, *Contemporary Family Therapy* (2023). DOI: 10.1007/s10591-023-09666-9

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