The five big financial mistakes made by couples

Helping you plan your finances better together

Finances can often be a difficult subject to talk about with a partner, but it is a vital topic of conversation for all couples. The earlier in your relationship you have such conversations the better, but even if your first date now seems a distant memory, it is better late than never.

Discussing your financial circumstances with an adviser will help you both to budget and plan more effectively as a couple. An adviser can recommend an appropriate trust for protection which will ultimately help you reach your financial goals.

To help create a better financial future for you and your partner, there are a number of big financial mistakes that lots of couples make that you should do your best to avoid:

1 | *Not talking about your finances*

Talking openly about your finances is very important. It is a conversation that ultimately could prevent more difficult discussions later down the line.

Financial planners often come across couples where only one person makes the financial decisions, while both partners should understand the decisions being made about their combined wealth.

It can sometimes be difficult for you both to attend a financial planning meeting, but it's important. If you were to separate or divorce, or indeed, if one of you were to become ill, or worse, it could leave their partner particularly vulnerable, especially if they have little understanding of the financial side of the relationship.

2 | *Only linking your current accounts*

A key benefit of discussing your finances is being able to make use of linked accounts and investments. Often the conversation about linking finances ends at the convenience of the shared current account and a jointly held mortgage. However, spousal linking of investment accounts in the UK is increasingly common as it can help to lower the overall charges paid by each partner – all while keeping your finances separate and private.

Additionally, you may also wish to explore other options available that could help you save money such as joint life cover, car insurance, or other similar products.

3 | *Holding assets in the wrong name*

How money or an asset is held, whose name is on the ownership, and who will benefit from it, often underpins good financial planning. Quilter's research shows that many couples could achieve 40% more return on interest payments in savings accounts if they were placed in the name of a partner on a lower tax band.

By ensuring assets are held in the right name and product, it is possible to reduce the amount paid to HMRC. For example, exploring whether to top-up your partner's pension rather than your own can ensure you are receiving the maximum tax relief.

Continued overleaf

4 | *Protecting one life only*

An all-too common mistake is the failure to buy life cover for one partner. While the working partner will often have life cover and death-in-service benefit as a part of their employment benefits, they overlook what would happen if the non-working partner were to pass away. For example, how would you pay for childcare in order to continue working?

It's important to ensure both partners are adequately covered in case the worst happens and speaking to financial adviser is a good place to start. Not only will this give you the peace of mind that those who depend on you will be taken care of if you were to pass away, but it would also make a difficult situation far easier for your loved ones if the worst were to happen. The consequences of unmarried couples not putting life assurance in trust can also be quite devastating.

5 | *Making the most of inheritance tax allowances*

Much of government policy around the tax benefits of your personal finances still favour those who are married or in a civil partnership. This tax year, you can pass on up to £175,000 of your property tax-free, which is effectively doubled to £350,000 when combined with the allowance of your spouse or civil partner. That's layered on top of your inheritance tax allowance – or nil rate band – of £325,000, meaning it is possible to pass on £1m inheritance free as a couple. However, note this is 'tapered' at a rate of £1 for every £2 of excess if the overall net value of the estate on death exceeds £2 million.

This also only works for those with direct descendants to inherit the family home and is capped at the value of the property being inherited (less any mortgage outstanding), while the UK's six million cohabitees are less fortunate and cannot claim the combined allowances.

Sources: – ***How Inheritance Tax works: thresholds, rules and allowances: Overview***

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