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FINANCIAL FOCUS



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Your Accounting for a New Economy

Getting to Yes Despite Investing Differences

In a perfect world, both halves of a couple share the same investment goals and agree on the best way to try to reach them. It doesn't always work that way, though. One spouse may be risk-averse, while the other may be comfortable investing more aggressively. How can you bridge that gap?

First, define your goals

Making good investment decisions is difficult if you don't know what you're investing for. Making sure you're on the same page--or at least reading from the same book--when it comes to financial goal-setting is the first step toward dealing jointly with investments.

Make sure the game plan is clear

Making sure both spouses know how and (equally important) why their savings are invested in a certain way can help minimize marital blowback if investment choices don't work out as anticipated. Second-guessing rarely improves any relationship; making sure both partners understand from the beginning why an investment was chosen, as well as its risks and potential rewards, may help moderate the impulse to say "I told you so" later.

If you're the more aggressive investor ...

Listen respectfully to your spouse's concerns. You may need to provide additional information to increase his or her comfort level, but you won't know what to supply if you automatically dismiss any objections.

If you're enthusiastic about an investment, concealing potential pitfalls could make future joint decisions more difficult if your credibility suffers because of a loss. A more cautious spouse may help you remember to assess the risks involved.

Remember that you can make changes in your portfolio gradually; you don't have to become more aggressive all at once. And if you're an impulsive investor, try not to act until you can consult your partner--or be prepared to face the consequences.

If you're the more conservative investor ...

If you're unfamiliar with a specific investment, research it. Though past performance is no guarantee of future returns, understanding how an investment typically has behaved in the past or how it compares to other investment possibilities could give you a better perspective on why your spouse is interested in it.

Consider whether there are investments that are less aggressive than what your spouse is proposing but that still push you out of your comfort zone and might represent a compromise position. For example, if you don't want to invest a large amount in a single stock, a mutual fund that invests in that sector might be a way to compromise. (Before investing in a mutual fund, carefully consider its investment objective, risks, charges, and expenses, which can be found in the prospectus available from the fund. Read it carefully before investing.)

What if you still can't agree?

You could consider investing a certain percentage of your combined resources aggressively, an equal percentage conservatively, and a third percentage in a middle-ground choice. This would give each partner equal input and control of the decision-making process, even if one has a larger balance in his or her individual account.

Another approach is to use separate asset allocations to balance competing interests. If both spouses have workplace retirement plans, the risk-taker could invest the largest portion of his or her plan in an aggressive choice and put a smaller portion in an option with which a spouse is comfortable. The conservative partner would invest the bulk of his or her money in a relatively conservative choice and put a smaller piece in a more aggressive selection on which you both agree.

Or you could divide responsibility for specific goals. The more conservative half could be responsible for the money that's being saved for a house down payment in five years. The other partner could take charge of longer-term goals that may benefit from taking greater risk in pursuit of potentially higher returns. You also could consider setting a predetermined limit on how much the risk-taker can put into riskier investments.

Finally, a neutral third party with some expertise and a dispassionate view of the situation may be able to help work through differences.