

3 Steps to Stop Fighting about Money



*After reading this article check our video **Yours-Mine-Ours**. (insert Fran's cash flow video)*

Have you ever fought about money with your spouse or partner? If the answer is “No”, you are very lucky. You also part a small minority.

It is almost self-evident that one of the most common reasons couples fight is money. Wouldn't it be great if we could free ourselves from money fights?

One approach is to go to therapy and try to understand **why** we fight about money. This is a long process and involves a significant effort to understand complex reasons related to personality and background.

In case you need to make quicker progress and fight less, a simple three-step process can get you there. And then you can work with your couple's therapist on other areas of your relationship!

The 3 steps:

Confront reality

Spend less than what you make

Set up a system that integrates intimacy and privacy

1 – Reality Check – What is your number?

Your money reality is what it is, regardless of whether you like it or not. If you pretend the issues are not there, they have a very unpleasant way to remind you of their existence. So, it is important to take inventory of what is your financial position as a household. First know your assets and debts, or your Net Worth Statement. Here is an example ---

Investopedia <https://www.investopedia.com/terms/p/personal-financial-statement.asp>

Then, it is very useful to estimate your income and expenses. Try to be as honest as possible but do not get bogged down in the detail of where every penny was spent. Trying to be too specific here can lead to paralysis and it is not productive. The point is to have a reasonably good idea if you are running a surplus or a deficit.

Here is an example of a Household Budgeting Worksheet

<https://www.kiplinger.com/tool/spending/T007-S001-budgeting-worksheet-a-household-budget-for-today-a/index.php>

It should be noted that knowing assets, liabilities and income is a relatively straightforward task. Having a clear idea of your actual expenses is harder. So, in order to effectively confronting reality you need to answer the following question:

What is the number of dollars you need per month to run your life?

Knowing your number is very empowering. Every family should know this number.

2 – Operate with a positive cash flow

You will fight a lot less because of money if you spend less than what you make. This means that you will have a positive cash flow and you will build assets not debts.

The way to make sure you do it is by making more money, spending less or both. Typically, is harder to make more money than spending less, but not always. <https://www.debt.org/blog/10-easy-ways-cut-your-expenses/>

The ability to communicate here is critical. Some decisions are tough but once the right actions take place it is very liberating. Downgrading a car, a home, or skipping a vacation can feel painful. Working longer hours or taking a second job can be stressful too. It is important to see the big picture and adjust sooner rather than later.

Once your household runs a positive cash flow and your Net Worth is increasing, you will fight a lot less about money.

3 – Integrate Intimacy and Privacy

Once the foundations of knowing what your financial position is and running a positive household cash flow are taken care of, what is else can you do to avoid money fights?

You can reduce almost all fights if you set up a system that integrates **intimacy** with **privacy**.

In our society it is a reality that we have physical intimacy way before we have financial intimacy. However, when you choose to live with someone else there are expenses that are inherently collective since they benefit the entire household. Examples are mortgage payments, cable and internet, groceries, child expenses, etc. There must be transparency and **intimacy** in paying for these expenses. So, the ideal way to pay for them is with a joint bank account. This account should be fed by the inflows of take-home income from employment or business activity. When these expenses are paid from different individual accounts, there is a big potential for fights and resentment.

Although intimacy is important, in excessive doses it can be problematic. Everyone has a need for a certain level of autonomy and **privacy**. We sometimes want to treat ourselves, our friends and even our partners without being scrutinized. So, how to find some financial privacy in an intimate setting? The way to do it is to set up individual accounts that are fed regularly by the master joint account. The amounts for these regular transfers are agreed beforehand and there are no surprises. Once the money is inside the individual accounts they can be spent as the owner pleases with no justifications. There is no potential for criticism because the transaction is private.

This integration of intimacy and privacy shows a high level of money maturity in couples. Fights become a lot less likely.

To learn more about this method, check this video by my friend, mentor and colleague Fran Toler. We call it ***Yours-Mine-Ours***. *(insert Fran's cash flow video)*