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Newlywed Debt: The Anti-Dowry

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Abstract

Marriages are most fragile in the early years with 20 percent of divorces occurring in the first 5 years of marriage. Money is one of the topics couples fight about most often during these years, and it is also a contributing factor in many divorces. 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 area for newlyweds. Facts about debt brought into marriage, the effects of debt on newlywed relationships, and debt elimination ideas are presented.

Introduction

The early years of marriage can be a challenging time and a time when couples are making many changes and adjustments in their lifestyles. In addition, spouses come to the marriage with different family backgrounds, ideologies, beliefs, and values. Unfortunately, they also sometimes come with significant debt loads. When these backgrounds collide, couples find themselves faced with the task of discussing and attempting to resolve many difficult issues. As a result of these difficulties, research indicates that marriages are most susceptible to marital difficulties and divorce during the early years, as evidenced by the fact that 20 percent of first marriages are expected to end within the first 5 years (National Center for Health Statistics 2001).

Money is something that each of us uses on a daily basis and is an integral part of our lives. Every day millions of us go to work to earn money and every day we find innumerable ways to spend it. For many people, dealing with money and financial issues is just as common an occurrence as eating or driving a car. With money playing such a central role in our lives, it is no wonder that millions of couples are worried about it and often times fight about it.

Newlywed couples may find money matters particularly troublesome because being a couple means they are exchanging financial independence for financial interdependence (Olson and Defrain 2000) and this transition can be difficult for newlywed couples regardless of their age or life stage. For some couples the transition is difficult because they both bring debt into the marriage, for others it is tough because one partner has debt, and for still others the difficulties may arise because they have unequal amounts of wealth. For older couples who are marrying for the first time or remarrying, debt management and asset sharing are bigger risks when greater or unequal wealth is to be shared. However, regardless of age or life stage, research consistently shows that money is the most common source of disagreement for U.S. couples and families (Blumstein and Schwartz 1983; Goodman 1986; Olson et. al. 1989).

Karen Peterson, a columnist for USA Today wrote, "To some people, money means power; to others, love. For some the topic is boorish, in bad taste. For others, it's more private than sex. Add family dynamics to the mix and for many you have the subject from hell" (Peterson 1992). Since money is such a taboo topic in our society and so difficult for many people to talk about, it is no wonder that finances are the source of much marital conflict.

Some facts about debt brought into marriage

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 area for newlyweds (Center for Marriage and Family 2000; Schramm and Lee 2003). In fact, 67 percent of women and 74 percent of men enter marriage with at least some debt (Schramm and Lee 2003). Because participants were asked not to include home loans, debt was reported to come primarily from auto loans, credit cards, student loans, and medical bills. 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" (Carlson 2002). Dowry means "marriage gift" and it is the property or assets that traditionally are given to a husband by the wife or the wife's family upon marriage. It may also be a gift of money or property that a husband provides to or for his bride. Although not very common in the United States, dowries have a long history in Europe, India, Africa, and other parts of the world. Therefore, an "anti-dowry" might be considered as a "marriage debt," or a loss of wealth that is incurred by marrying someone. In contrast, nothing is more appealing or liberating than being and marrying someone who is debt free. In a similar vein, P.T. Barnum said that "money is a terrible master but an excellent servant."

How debt affects the marriage relationship

Debt has many negative effects on marriage relationships, and it is a particularly difficult issue for newlyweds because they are forced to focus on this financial burden at a time when they are still getting to know each other and would rather be focused on other financial goals and positive uses for their money. Here are some of the negative aspects of debt on a marriage relationship.

- It is estimated that many American adults spend up to 80 percent 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. Therefore, debt brought into marriage causes strain on the new marriage relationship because it forces a couple to spend their time and energy focused on money rather than on building their relationship.

- 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 and Gager 2000). Financial problems are frequently cited as a major reason for divorce (Sanchez and Gager 2000). Bowen et. al. (1995) and Voydanoff's (1991) research indicate that an individual's personal coping mechanisms are crucial for couples dealing with financial stress, such as overwhelming debt. Couples must have sufficient self-mastery to control spending and make necessary life changes. They also need sufficient self-esteem to believe they are capable of weathering the financial storm of burdensome debt.

- Schaninger and Buss (1986) studied newlywed couples from the time they got married through the first 10 years of marriage in an effort to identify the differences between those couples who divorced and those who remained happily married. One of their findings is that happily married couples did better than those that got divorced at making financial decisions together.

- In a study of 21,501 couples Olson (2003) found that 66 percent 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 happily married 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 placed a great strain on the relationship and may put the marriage in jeopardy from the beginning.

Due to the fact that debt has a negative impact on the quality of marital relationships and is a contributing factor to many divorces, the remainder of this paper will focus on ways that individuals and couples can better manage, and eventually eliminate, their debt.

Develop a debt elimination plan

Debt can be addressed before getting married or after marriage, but either way it must be addressed. However, researchers have found that the less debt one has going into marriage, the greater their chances for success and happiness in marriage (Olson 2003; Chadiha 1992). So, couples should consider paying off 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, or 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 the credit card debt 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. Jack was able to get out from under his debt prior to marriage because he

- Lived frugally
- Did not take on new debt
- Developed and implemented a plan to pay-off his existing debt quickly

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 money and entering into a financial contract with a person without first checking their credit history. They do that because they want to see if a person is worth the risk. They do not want to get burned. If a couple is seriously considering marriage they owe it to themselves to share their financial status and backgrounds with one another because their spending styles are not only a factor in helping them deal with their current debt, but also in avoiding future debt. Couples should share banking, checking, and credit card statements, as well as a knowledge of all debt. Use Worksheet 1: Who Owes What? to help do this. As a general rule, non-mortgage debt payments should not exceed 10 to 15 percent of take-home pay each month. Debt loads exceeding these amounts may place a tremendous strain on a relationship. It is also a good idea to share credit reports with one another. Personal credit reports can be ordered from one of the major credit reporting agencies: Equifax at 1-800-685-1111, TransUnion at 1-800-888-4213, or Experian at 1-888-397-3742.

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

1. Communicate - This is the most important thing a couple can do to minimize financial fights. Sit down together and share financial information with one another, including earnings, money saved, what is owned, and what is owed.

2. Don't keep secrets - It's a bad idea to hide debts. Share knowledge of debts, family financial upbringing, and current views on money with each other.

3. Establish common goals - If a couple is in agreement, they will be more willing to work together to meet their goals. Start by answering the following questions: "What do we want to do with our money? and How will we get out of debt?"

4. Quantify goals - Goals that aren't written and formalized are little more than wishes that often go unfulfilled. A couple should plot out exactly how and when they will pay off their debt. Use one of the suggested books or Web resources to help with this.

5. Develop a budget - Keep a monthly money diary to get started. Keep track of everything that is spent and where it is spent. A couple can't stay within their budget if they don't know where their money goes.

6. Use savings to pay off high-interest loans - Having some emergency savings is wise, but if a couple is paying more interest than they are earning they should consider paying off their 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 provides a consistently low rate with no annual fee. Don't pay more than is necessary.

8. Consolidate debt - Secure a low-interest loan where all debt can be combined into one monthly payment. This will reduce monthly payments and the debt will be paid off more quickly. Just don't take on any new debt.

9. Pay more than the minimum due - Do this on credit cards, mortgages, or wherever possible. A couple will end up paying much less for things in the long run and they will pay them off more quickly.

10. Cut spending - Spend less and put the money saved towards paying off debt. Do this by budgeting, kicking an expensive habit, and leaving credit cards at home (or getting rid of them altogether).

11. Be a financial housekeeper - In a marriage, one partner should take the lead in managing the finances to make sure bills get paid on time and checkbooks get balanced. However, both partners should be aware of and take responsibility for their financial situation.

Conclusion

It is important to develop a plan to reduce debt before marriage, since it will help couples get off to a good start in the first years of married life. It is also important to keep debt to a minimum within marriage. Whether you are preparing for marriage or are already married, the principles identified above can be used to help you reduce or eliminate your debt. You can also use the recommended web sites, readings, and worksheet that are provided at the end of this article to help you become debt-free.

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Recommended Web sites

Consumer Credit Counseling Service
Myvesta: A Nonprofit Consumer Education Organization
National Endowment for Financial Education
Newlywed Finances

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.

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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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