YOUR FINANCIAL FUTURE TOGETHER

Saving and Investing for Newlyweds

Connecticut Department of Banking
Securities and Business Investments Division

Toward a Perfect Financial Union

CONGRATULATIONS!

The transition from single adult to part of a married couple is a monumental life change. There will be new shared responsibilities and many personal and financial decisions to make.

It is never too early to discuss financial planning, since you and your partner may have different ideas about money and spending. Think about what you both want to save and invest for – whether it be a home, new car, children's education, retirement or something else. And if either of you has assets or owns a business, you may wish to consider a prenuptial agreement to protect you in the event of a divorce.

The purpose of this guide is not to tell you how to invest your money, but to help you make intelligent and worthwhile investment choices.

Congratulations and best wishes as you invest in your future together.

Schedule Regular Financial Planning "Dates" With Your Partner

- Make sure both of you stay involved with your finances. Talk openly and honestly about your individual financial histories, especially outstanding debts from student loans or credit cards and how they will be paid off. While you may not be responsible for your partner's individual debts (nor would you wish to be), they may have a bearing on whether you can jointly finance a real estate or other major purchase later on. Develop a budget to make sure your spending stays on track.

- Who will be responsible for day to day household finances such as bill paying? Whatever you decide, keep your spouse informed about accounts, etc. so he or she can handle the task if you are unable to do so.

- Do you want to keep your financial accounts and assets separate, combine them in a joint account or combine them for common expenses only? Remember that when one of you uses a jointly owned credit card, the other may be responsible for paying the bill.

- Review your credit histories and order a free copy of your credit report from each of the three credit reporting agencies. Visit **www.AnnualCreditReport.com** or call toll-free 1-877-322-8228 for your free copies. Your credit history affects your ability to get loans or new sources of credit.

- Discuss whether you want to name your partner as a beneficiary for assets such as bank accounts, your pension plan at work, your will or insurance coverage (auto, health and life) you hold.

- How much insurance coverage and what types – life, health, disability, home, auto, etc. – do you need?

- How much risk are you and your partner willing to take with the household money? If you are a compulsive coupon clipper but your partner can't resist a speculative investment, try to reach a risk compromise to give you both financial peace of mind.

CREATE A FINANCIAL PLAN AND SET GOALS

♥ Figure out your finances, what you own and what you owe.

♥ Prepare a budget that shows your monthly expenses and income.

♥ Set long-term and short-term financial goals and chart the dates you hope to reach them.

♥ Outline your comfort level and tolerance for risk.

♥ Determine what you want and what you need.

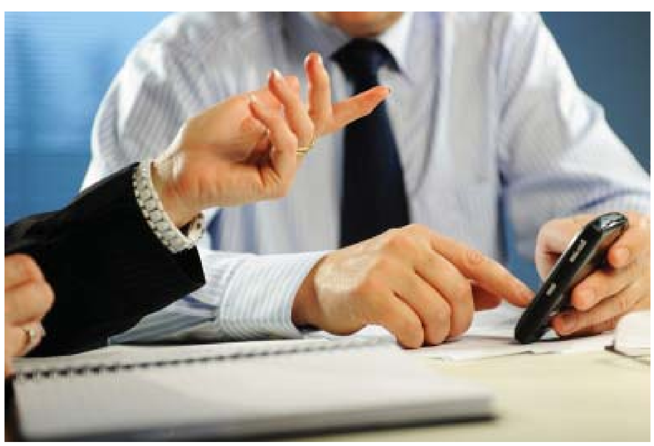
Saving and Investing

A good financial plan includes Saving and Investing. The best choice for you depends on when you will need the money, your goals and what risks you are willing to take.

Savings

Savings accounts give you access to your money at any time. Savings can help meet unexpected expenses or allow you to acquire an item without taking out a loan or using a credit card. The account can serve as an emergency fund for you and your family. Savings accounts should ideally contain three to six months of income to ensure that extra money is there when needed for situations such as unemployment or illness.

Any money you have in a savings account or in a certificate of deposit (CD) is considered a deposit and is insured by the Federal Deposit Insurance Corporation (FDIC). Financial institutions will return all of your deposits with interest whenever you ask. You can take money out of a CD before it matures, though you will have to pay a penalty for early withdrawal.



Savings accounts are considered a "safe" place to deposit your money. However, they offer lower interest rates, which may not keep pace with inflation. Some people put money in savings, but also invest for higher returns.

Investing

Securities investments carry some degree of risk. When you invest, you have a greater chance of losing your money, but you potentially could earn more money than when you save. Be prepared to invest for the long term. Short term get rich quick schemes do not work.

Before you invest your hard-earned money, define your investment goals and understand the product you are buying. If an investment affects your ability to meet your regular living expenses, it may not be suitable for you and your family. Consider how a loss would affect your budget should the investment fail to perform as expected.

Keep in mind, you and your partner could have different investment styles and viewpoints. One spouse may want to invest in high-risk stocks while the other would be more comfortable investing in mutual funds, which offer more diversity and less risk. Always thoroughly research an investment before parting with your money.

Investment Risks
(Risk vs. Reward)

Before investing, remember:

- The greater the potential for profit, the greater the risk.
- Securities investments (stocks, bonds and mutual funds) are not federally insured against a loss in market value.
- Investments in securities issued by companies with little or no operating history or without published information may involve more risk.
- The past success of a particular investment is no guarantee of its future performance.

Savings and Investment Options

Certificates of Deposit (CDs)

Banks and credit unions sell CDs, which are similar to U.S. savings bonds in that investors are lending money to an institution for a set period of time - six months, one year, two years, etc. The longer the term, the higher the return on an investment.

Corporate Bonds

A corporate bond is a loan to a company that the company agrees to pay back within a set period of time, at an established interest rate. The longer the term, the higher the interest rate paid to the investor.

Individual Retirement Accounts (IRAs)

An IRA is a tax-deferred personal account that allows employed individuals to set aside a specific amount per year for retirement.

There are two types of IRAs, traditional and Roth. Earnings from a traditional IRA are tax deferred until withdrawals begin at age 59½ or later. Funds invested in a Roth IRA are pre-taxed, which means the earnings are tax free upon withdrawal at age 59½ or later.

Money Market Accounts

These are very similar to checking accounts but they offer a higher interest rate. Typically, a minimum deposit - $1,000 and higher - is required to open a money market account.

Municipal Bonds

These bonds are issued by states, cities, counties and towns to fund public capital projects such as roads, schools, bridges and operating budgets. They are exempt from federal taxes, and from state and local taxes for investors who reside in the state where the bond is issued.

Mutual Funds

A mutual fund pools money from many investors and uses the money to invest in a portfolio of investments. Mutual funds can contain a variety of investments, including stocks, bonds and CDs. Mutual funds can be a great investment choice because investors enjoy the benefits of diversification without having to make all the buy/sell decisions, which are left to the mutual fund manager.

Real Estate

Buying property can be a worthwhile, if sometimes risky, investment.

Savings Accounts

Bank and credit union customers deposit their money, essentially lending it to the financial institution. In return, customers earn interest on their deposits.

Stocks

Stocks represent ownership interests in a company. Companies issue stock to raise money, usually for start-up costs or to expand operations. Investors who buy the stock own a part of the company. This investment has the highest element of risk because your return depends on the success of the company, which in turn is vulnerable to a variety of market challenges.

U.S. Savings Bonds

These are more formal than a savings account because a bond is a formal agreement with the federal government whereby the investor loans the government money in return for interest on the loan. The government agrees to pay interest after a set time period. A penalty fee is charged if an investor cashes in the bond before it matures.

INVESTIGATE BEFORE YOU INVEST

Connecticut law requires non-exempt securities and the people selling them to be registered. **Call the Department of Banking's Securities Division at 1-800-831-7225 for the disciplinary history of a brokerage firm or investment representative.**

Most investments are legitimate and the majority of salespeople are honest. However, even with regulated investments, fraud is always a possibility. Con artists attempt to steal money by selling nonexistent or worthless investments, using misleading information and lies.

WARNING SIGNS:

- High pressure sales tactics
- Promises of high profits with little or no risk
- Refusal to send you written information before you invest

REMEMBER:

- If it sounds too good to be true, it probably is
- High return almost always means high risk

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