(UBS)

The benefits of establishing shared financial goals

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As life expectancies rise, effective retirement planning is essential for long-term financial security. For couples, this means coordinating retirement savings to maximize benefits together.

Here are some of the benefits of establishing shared financial goals, optimizing contributions, and balancing investment risk.

1. Identify shared financial goals. In retirement, you will likely engage in most activities together. Discussing your shared objectives can help you to uncover potential conflicts over financial decisions, which will allow you to strategize how to address them. Clarifying your retirement objectives will help you to align both of your resources to meet these shared objectives, it will help to ensure that both you and your spouse are on the same page regarding how much to save, where to invest, and the lifestyle you envision in retirement.

2. Sharing resources. When you combine your finances with your partner, it divides your expenses, lessens your debts, and increases your assets. Dual-income households often benefit from higher savings account yields, lower fees and interest costs, and better access to credit due to scale. Two working partners can afford more lifestyle flexibility and are more diversified against risks such as disability or job losses.

3. Maximize contributions. Many employers offer matching contributions to retirement accounts like a 401(k). If you and your spouse coordinate your contributions to maximize the employer-matching contribution, you'll benefit from an increased savings potential each pay period.

Some employers match contributions dollar for dollar, while others may offer something less generous, such as a 50% match. If you and your partner can contribute enough to maximize both of your employers' matching contributions, you can save an equal amount into each plan; if not, we recommend prioritizing contributions to the account with the most generous employer match.

4. Balance investment risk. When you and your spouse invest your combined assets based on your joint goals and investment horizon, it will allow you to create a diversified portfolio that mitigates the impact of market volatility.

Additionally, balancing investment risk helps create a unified approach that reflects both partners' retirement goals, rather than an approach that's based solely on each individual's risk tolerance.

When you have shared goals and misaligned portfolios, the inherent conflict makes it difficult to effectively follow a disciplined investment strategy. This misalignment will also likely grow over time, as your portfolio grows faster than your partner's, leading the overall risk of your combined assets to "drift" over time, away from any intentional investment strategy.

Ultimately, aligning your investment strategies will ensure that you and your spouse are working toward the same financial goals, and that you and your partner are both comfortable with the investment choices being made.

5. Increase after-tax growth potential. Coordinating your retirement accounts and taxable accounts with your spouse will allow you to take advantage of tax-saving strategies, such as fully utilizing tax-advantaged account contributions which can lead to a lower income-tax burden for your household that year.

Another benefit is that it can make it easier for you to take advantage of loss-harvesting opportunities throughout the year, which can help you minimize or even avoid capital gains taxes.

Working together to align retirement contributions, investment transactions, and withdrawals, you and your spouse can enhance your financial security by managing your tax burden each year.

If you're unsure where to start or how to align your strategies efficiently, we suggest working with your financial advisor who will be able to provide personalized advice tailored to your unique circumstances and help you create a comprehensive financial plan.

For more, see the latest Modern retirement monthly: Why and how couples should align their retirement savings, published 29 January, 2025.

For more insights on managing your retirement assets, please visit ubs.com/retirementguidebook

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