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HE SAID, SHE SAID: WHEN INVESTMENT STYLES CLASH

They are a dual-career couple, each earning a high salary. Both feel that it's important to invest a portion of their salaries. There's just one small problem: one of them is strongly risk-averse, preferring conservative investments such as certificates of deposit and money market funds, while the other one is a risk-taker who loves tech stocks and initial public offerings.

A clash of investment styles is common in marriages, say many Certified Financial Planner professionals, especially among dual-career couples. The same goes for couples who bring sizable portfolios to a second marriage. So what do financial planners recommend that couples do when their investment styles clash?

Discuss your different investment styles. Just talking about your investing perspectives, which typically revolve around how you value money and how your family treated money during your upbringing, may iron out some of your differences.

Bring in an objective advisor. If you can't resolve your differences on your own, a financial planner or other investment advisor can bring an impartial, knowledgeable perspective to the issue. Among other things, the advisor can explain the issue of investment risk and reward, provide insight into your money personalities, and help you identify goals and design a portfolio that suits your needs.

Learn about investing. Differing risk tolerances are what typically cause clashing investment styles. One partner is willing to take more risk than the other. While our "money personality" is a factor in how we invest, our tolerance for

risk is also influenced by our understanding of how investments work. Often the more the couple learns about the long-term volatility and returns of various investments, and how the mixture of different types of investments can reduce the volatility of a portfolio over time, the less likely the couple will clash over investments.

For example, the more conservative investor might recognize the need for some aggressive positions to help the portfolio stay ahead of inflation, while the risk taker might learn how more conservative investments can reduce overall portfolio volatility without seriously undermining the portfolio's long-term total return.

Clarify your investment goals. Knowing what you're investing for often can bring a mutual-or at least closer-agreement about how best to get there. Say the couple wants to save for retirement. They determine how much target money they need to pay for the kind of retirement they desire, and how much of current income they can invest toward that target. Each person might then design their own asset allocation plan based on their risk tolerances. Following this exercise, the conservative investor might realize that sticking to CDs or fixed annuities won't build a large enough nest egg by the time it's needed, while the risk-taker might realize that they don't need to take so much risk to reach that goal.

Establish individual investment accounts. Most financial planners discourage couples from splitting their portfolio into individual accounts, but sometimes it is the only practical way when investment styles clash. It also may be the best choice in cases where each person brings sizable investment accounts to a marriage.

There are different ways to set up individual portfolios. One approach is to have "his, hers and their" accounts. Each maintains their own retirement accounts and they pool their investment funds for such goals as a college fund or vacation home. Even though the accounts are separate, sometimes one style balances out the other one over the long term. Of course, if the more aggressive investor erodes much of his or her retirement fund because of bad investments and ends up relying on the more conservative investor when it's time to retire, it may cause some bitterness.

Other planner advice for individual accounts includes making sure you don't have overlapping investments (similar mutual funds, for example), examining investment taxes from the perspective of all accounts combined, being sure each person has full legal access to the other's accounts in the event of death or emergency, and monitoring each other's



accounts.

Set up a "play money" account. Some planners recommend that the determined risk taker invest perhaps five percent of the couple's total portfolio toward higher risk investments. If those investments lose money, they it won't seriously harm the primary portfolio.

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