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Marriage Is a Profitable Investment Strategy

By Matt Bradley, Principal, Peloton Wealth Strategists

According to the Centers for Disease Control (CDC), 50 percent of American marriages end in divorce.

Since the majority of divorce filings occur in January, the first month of the year is notoriously known as divorce season in the courts. Most divorcing couples blame finances as a primary reason for the demise of their relationship. Ironically, married couples have a better opportunity to improve their financial position than getting divorced and going it alone.

A nationwide study conducted by The Ohio State University concluded that divorce causes a decrease in wealth that is larger than simply splitting a couple's assets in half. Conversely, the study revealed married people significantly increase their collective wealth by more than just combining the assets of two single individuals. In fact, the research showed that people who got married and stayed married experienced a sharp increase in wealth accumulation. According to Ohio State researchers, married couples can expect to gain on average 4% more net worth annually just as a result of being married, assuming all other factors remain the same. The study also found that divorce reduces an individual's wealth by about three-quarters (77%) compared to that of a single person, while being married almost doubles comparative wealth (93%).

The Ohio State study raises some interesting questions. Why do married couples accumulate wealth faster and more effectively than their divorced and single counterparts? Through my 15 years of providing investment management and retirement planning, I've found that marriage consistently proves to be a wealth-enhancing institution. Married couples benefit from multiple incomes, combining assets, sharing expenses, coordinating savings plans for education and retirement, and an inherent system of checks and balances that keep both spouses on track. From a portfolio management standpoint, married couples also gain by:

1. Working with one wealth manager who understands the couple's or family's collective financial vision and priorities.
2. Aggregating/combining assets in an integrated, focused investment strategy. This typically produces better performance than two individuals separately following uncoordinated plans.
3. Embarking on long-term financial planning and investing strategies, which usually result in higher returns over time than many short-sighted investment opportunities.
4. Providing their asset manager a stable environment for implementing appropriate long-term investment strategies.
5. Consolidating investment accounts with one financial advisor, which may result in lower costs, specifically by reducing management fees, limiting trading commissions and eliminating redundant account charges.

Divorce is a proven wealth killer. Surprisingly, the Ohio State study showed that the decline of net worth starts long before signing the final paperwork (on average, four years prior). Some reasons cited include lack of savings for the

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future and little discipline with regard to spending. Once divorce proceedings start, they bring an unending slew of high expenses ranging from dual housing costs, attorney fees, court costs and unproductive time away from work.

The bottom line is a strong marriage provides a very effective investment foundation. It allows families to focus their assets on long-term financial objectives, pool their collective resources, lower investment-related costs and maintain an ongoing relationship with a trusted financial advisor. The best plan to increase your individual net worth is to increase your family's collective wealth. One of the best strategies is a long, happy marriage.

As you consider working with a qualified money manager, investment advisor and/or retirement planning expert, make sure to find a professional who will take the time to get to know you, your family and your collective long-term financial objectives – and most importantly, develop a customized investment plan that will enable you to achieve your specific goals.

About the Author

Matt Bradley is a principal and executive director for Peloton Wealth Strategists, one of Indianapolis' most exclusive wealth management and asset management firms. He serves as the company's chief investment officer and chairman of the investment committee. He is well known and respected in Indiana's business and financial communities. Bradley specializes in customized investment management, portfolio management and retirement planning for high net worth households with investable assets in excess of $1 million. Bradley holds bachelor's degrees in finance and accounting and an MBA in finance from Indiana University. Peloton is an independent, fee-only, SEC-registered investment advisor with offices in Indianapolis and Bloomington. The firm is not affiliated with a broker-dealer, insurance company or other securities firm. For more information about Matt Bradley or Peloton, visit pelotonwealth.com.