

Understanding Roles in *Family Finances*

BY: Katie Brann, CFP®



At my house, my husband and I have a fairly clear division of chores and responsibilities. My husband takes out the trash, mows the lawn, hires the snowplow driver, and gets cars inspected. If it happens physically outside the house, it's his job.

I make sure the floors and countertops are clean, dishes are washed, and laundry is done.

Most families divide their financial tasks and chores as well. In my own experience working with families, one spouse has often taken on the role of “Chief Financial Officer (CFO)” and the other holds the title of “Chief Operations Officer (COO).”

The CFO is more interested in the family's portfolio, its performance, and the stock market itself. Their primary focus is on the financial outcomes.

The COO is more interested in and responsible for day-to-day household finances, namely paying bills. They are more focused on “real world” outcomes – what money does for their family.

Division of labor is necessary in a household; however, I have found that couples become very entrenched in their roles over the years. This leads to both people not taking the time to really understand the other's responsibilities. This can make it difficult for the couple to come together to see the “big picture” - which includes financial and real-world factors.

For example, a newly-retired COO* might withdraw more than they plan to spend from their portfolio because a) they are so used to saving every month and b) they perceive safety in building up excess cash. Their primary focus has been on the bank account, not the investment portfolio. There can be a significant opportunity cost to moving money into cash unnecessarily in the long term.

Conversely, a newly-retired CFO might be hesitant to make any withdrawals from the family's portfolio after many years of saving and accumulation. They can become so focused on the numbers and the "bottom line" that they lose sight of what the money's for: health, wellbeing, and quality of life for their family or community. They might come to regret not taking that vacation or making that charitable donation.

In both examples, the COO and CFO had the best intentions which resulted in less-than-optimal outcomes. Situations like this can be avoided by opening the lines of communication between partners in regular "business meetings." Each needs to understand the other's perspective and goals for the family's future. The COO and CFO should also work together to create a big picture investment and spending plan. The plan will differ for every family but should find an appropriate balance between growing & preserving family wealth and allowing it to support your current lifestyle. In some cases, the COO and CFO should consider hiring an outside consultant to provide objective advice, facilitate the big picture conversations, and to help turn ideas into actions.

*Definitely an oxymoron but necessary for the sake of this metaphor!

