

DINK no more: Tips for transitioning from a 'dual income, no kids household' to 'one income with kids'

By Lisa Philios



Life as you know it, living in a dual income household, has now changed. There is now a child in your life and you are now a one income family with additional expenses and less income.

And then there were Three.

The average American family size is three per Statista, a figure that has held steady since the 1960s. Frequently, when a child enters the family, many parents begin to wonder if one parent should leave the workforce and stay home to raise that child. If a family chooses to have one parent remain home, they should first analyze their financial situation prior to making

the switch. A great place to begin is by writing down monthly and yearly expenses on a budget form (here's one example of such a form: http://www.saveandinvest.org/web/idcplg?IdcService=SS_GET_PAGE&ssDocName=P124961). Additional expenses such as diapers, wipes, childcare, and formula should be forecasted and incorporated into the budget form.

You have decided to be a Single Income Household. Now what? The following tips can help smooth the transition:

Build a healthy emergency fund. Maintain healthy emergency (at least three to six months of expenses) and home maintenance

funds (1 percent of the purchase price or 3 percent of your monthly mortgage payment) is essential for when an emergency or unexpected home repair inevitably occurs.

Evaluate your mortgage payment.

Programs offer help if you find it hard to make a payment each month (<http://www.usa.gov/shopping/realestate/mortgages/mortgages.shtml>). Veterans may qualify for property tax exemptions (and possibly school tax exemptions) for holding a VA disability rating or period of time in service. Veterans are encouraged to check with their local Assessor of Taxes.

Continued on page 9

DINK No More

Continued from page 8

Protect your family with the proper

insurance. Insurance protection for your health, home and vehicle are vital to any household, children or not. Employer-sponsored health insurance plans often times offer the best rates on the market. Check available options through your state health insurance marketplace as well. Auto insurance companies will offer multi-policy discounts for folks with two types of policies on their plan (i.e., auto and home insurance). The amount of your deductible will determine your monthly payment—normally, the higher the deductible, the lower the monthly payment. Families renting should strongly consider purchasing a renter's insurance policy. These policies are relatively inexpensive and offer protection from various perils.

One car household. Downsizing from two vehicles to one might be a good financial option for some families. If available, public transportation to/from work might be less costly than paying for the car note, gas and insurance. In addition, some employers offer Commuter Transit Accounts for qualified public transit expenses on a pre-tax basis, which lowers the employee's taxable income. Qualified expenses may also include parking, bicycle and car pool fees.

Plan where the money goes. Planning ahead reduces confusion and sets a clear view for where you want to be financially. When you have one income, forecast how and where money will be saved and spent. Examples include, saving tax refunds in a home maintenance account, vacation pay-outs split between debt repayment and college savings, special pay/bonuses contributed to retirement plans, etc.

Children's savings account. With kids come birthday, graduation and holiday gifts, some tangible and some monetary. A minor's savings account is a great place

to deposit monetary gifts, especially if the parents cannot contribute to the account personally. Many financial institutions provide education materials and programs for minors. BankRate.com is a great search engine to locate local or national banking institutions and their savings accounts interest rates.

Plan for college. Many parents find saving for college a challenge. The common issues are finding the money, where to put the money, and when to begin. Luckily, there are many programs available to families which take the guesswork out of the equation. Saving For College (<http://www.savingforcollege.com/>) is a great place to start.

Free money? Take it! If an employer offers a defined contribution plan, such as a 401(k) plan, with the added benefit of matching their employees' contributions, sign up! This match is free money and if you can afford to contribute, do so. Though not "free," if there are additional funds in the budget, a Spousal IRA for the non-working spouse is a great retirement savings option. Additional forms of free money include popular shopping websites like UPromise and Ebates that offer shoppers 5% (+/-) back on online purchases. Some credit card companies give +/-1 percent back in cash rewards for the total purchases during each billing period.

Legal protection. Parents should protect their immediate family members with the proper legal documentation for use during a catastrophic event. These legal documents include a Will, Power of Attorney, Trust, etc. (Military families can seek the assistance from JAG on base). Another item to consider adding is a letter of instruction for the legal guardian of their children (this letter highlights specifics about the raising of the children). A great resource on the topic is the book *The Wall Street Journal: Financial Guidebook for New Parents*, by Stacey L. Bradford. As with any legal documentation, safeguard the documents and keep them current. Lastly, many folks forget to update

their beneficiaries. Use this form to record all of your beneficiary designations in one place: <http://njaes.rutgers.edu/money/pdfs/beneficiary-designations.pdf>. If you have retirement, insurance and savings accounts, be sure to include your spouse and children as primary and contingent beneficiaries!

Tax season occurs throughout the year.

Keep a running log of items that qualify for itemization. The family that tracks this throughout the year will be fully prepared come April the following year.

Living the Life of Your Dreams with Your New Family

Protecting your assets, tracking spending and implementing a savings plan are all tools to living a financially happy life.

Lisa Philios is an Accredited Financial Counselor and Military Family Housing Specialist. She has worked with Military Saves and Operation Homefront. As a financial educator, she is experienced in teaching both the FDICs Money Smart Adult Education Curriculum and Merrill Lynch's Investing Pays Off Program. She is also a proud Marine Corps wife and mother of two amazing little boys.

Resources Are Just a Click Away

- What you need to know about renters insurance: <http://www.iii.org/article/what-you-need-know-about-renters-insurance>
- Military homeowners assistance programs: <http://www.saveandinvest.org/FinancialBasics/Spending/P124368>
- Saving for college: http://www.savingforcollege.com/intro_to_529s/what-is-a-529-plan.php
- CNN Money's Cost of Raising a Child: <http://money.cnn.com/2014/08/18/pf/child-cost/>