guide for single parents

PERSONAL FINANCE

1. You must fully understand your income sources

One of the biggest challenges in running a one-parent household is the fact that this generally means that you are also a one income household. This one income MUST fund everything. It must fund regular bills, unexpected bills and it must fund your future financial goals. Your primary income must fund all of these things, and any extra income must be put to efficient use.

If you receive child support, make sure that it doesn't become a future liability for you when your child is out on their own. When child support goes away, whether scheduled or unscheduled, the absence can be financially devastating. Child support payments allow you to provide care for your children in the absence of the other parent's dedicated income. Whereas this income can and should be an important part of your household finances, be sure not to become dependent on it long term. This requires weaning yourself off of the support the closer it gets to expiring.

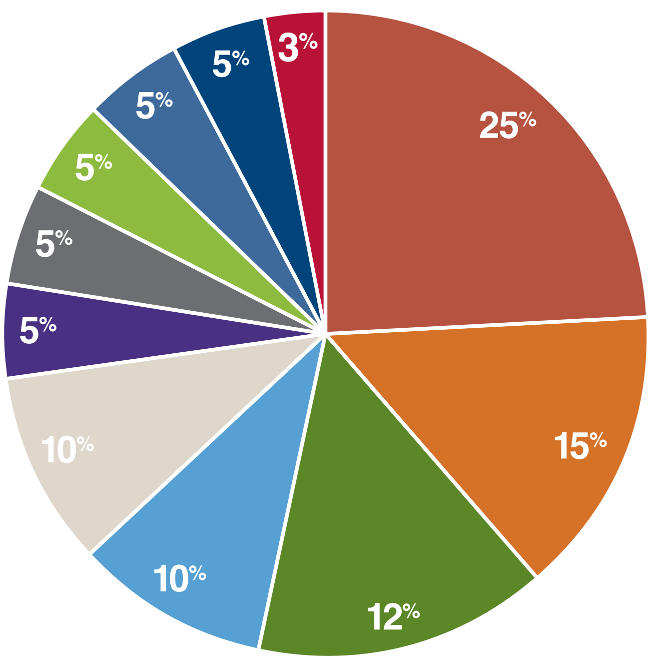
2. Budgeting is the key to staying organized

The key to your future financial success is your willingness to budget. Budgeting is a lost art that will allow you to make money decisions confidently. No matter how you previously ran your household finances when you didn't have children, it is imperative to re-evaluate all of your household spending decisions once children are involved. In fact, you should start from scratch completely when it comes to your household expenses.

Do not accept your past household expenditures as correct or even necessary. It is common for people to make spending mistakes simply because they lack good financial information and guidance.

One of the most common questions for new budgeters is: how much money should I be spending on _______________? It's a fair question. So here is the definitive answer.

Below you will find the ideal household budget. But here is what you need to know: if you don't spend the maximum amount in one category, then you can allocate more money to another category. In other words, let's say that your household transportation costs are only 5 percent of your income, then you can feel comfortable to split the "extra" 10 percent towards other categories.



ideal budget

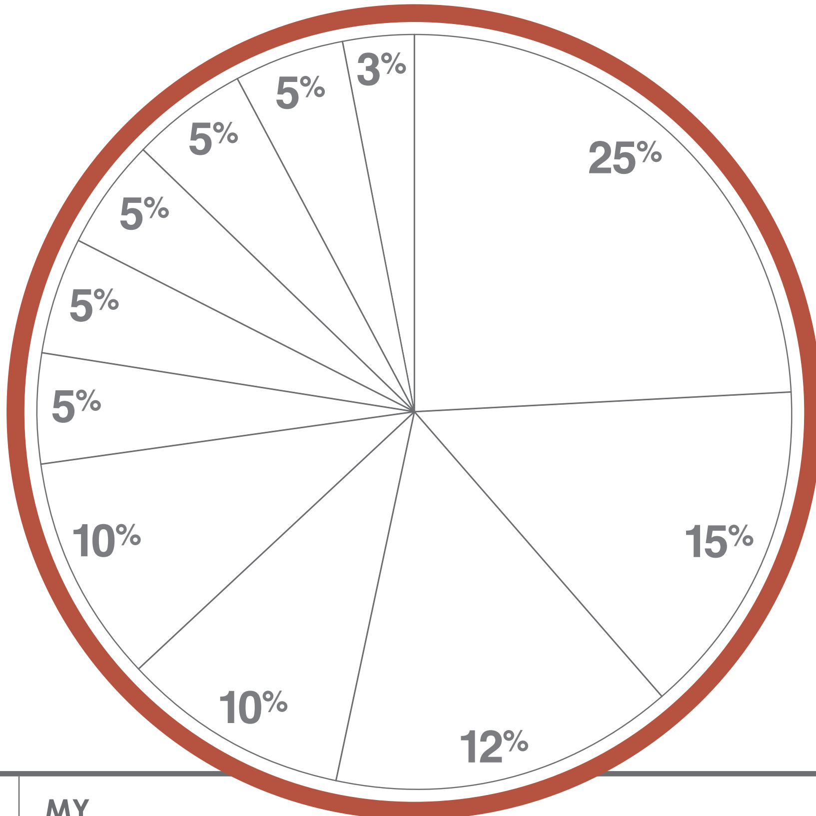
- 25% Housing
- 15% Transportation
- 12% Groceries/Dining
- 10% Savings
- 10% Utilities & Phone
- 5% Charity
- 5% Entertainment
- 5% Medical
- 5% Holidays/Gifts
- 5% Clothing
- 3% Misc

People who fail to operate on this "give-and-take" basis often find themselves in debt. Many financial households operate on 110 percent of their income. You just can't do that.

And if you are a tither, then this budget is based on your income after your tithe. In addition, this also excludes your 401(k) savings which usually is taken out of your income prior to it being considered "take-home" pay.

GUIDE FOR SINGLE PARENTS

Practice using the ideal budget



BUDGET CATEGORIES	RECOMMENDED PERCENTAGES	MY PERCENTAGES
Housing	**25%**	
Transportation	**15%**	
Groceries/Dining	**12%**	
Savings	**10%**	
Utilities & Phone	**10%**	
Charity	**5%**	
Entertainment	**5%**	
Medical	**5%**	
Holidays/Gifts	**5%**	
Clothing	**5%**	
Misc	**3%**	

3. Childcare considerations

You just learned about the ideal household budget, and it's likely that you asked the question "how do you account for childcare?" The first thing that you need to know is that the ideal household budget didn't have a "piece of the pie" dedicated to childcare; therefore, you must create that piece from scraps of other pieces.

In other words, you must reduce spending in other major areas such as transportation, dining out, gifts and entertainment. The biggest financial mistake that anyone can make is increasing spending in one area without decreasing spending in others.

There are more financial angles to the childcare question than you might think. One of the toughest decisions a parent can make is how to deal with childcare.

Are you looking for the cheapest childcare or the best childcare? I hate when people say that there are no wrong answers to a question. However, in this instance, I truly don't think there is a wrong answer. Assuming a certain level of quality care, the cheap option isn't necessarily a bad thing. Obviously I don't want you to put your kid in a drawer and go to work. But don't be ashamed of accepting a baseline of quality, and then seeking out the most affordable option. At the same time, don't be afraid to seek out the highest-quality daycare that you can find. Well, that is if you can afford it. Too many times we justify terrible financial decisions by invoking the name of our children. Yes, I had that Whitney Houston album. I know that "the children are our future" and that we need to "teach them well and let them lead the way." But that doesn't mean that you have to compromise your entire financial future for something you could get for less money. And this is exactly why I didn't put childcare on the ideal household budget. You shouldn't necessarily pay more for childcare based on your income.

If you are a parent, then you know childcare can quickly become your number one priority, but that doesn't mean you should just throw money at it. Make sure you are reducing spending in other areas so that your ideal household budget doesn't take a hit.

4. How to save money

Saving money can be difficult for anyone, but it's especially difficult when you are a one income household. Savings isn't an all-or-nothing proposition like most people think. I generally recommend that people try to save at least 10 percent of their income; however, that doesn't mean you should save 0 percent if you can't handle 10 percent. Unfortunately, this is exactly what people do. Many people save absolutely nothing. You cannot be one these people.

If you currently aren't saving enough, then you need to get with the program. The program is simple. Start with 1 percent. This means that if your take-home pay (net income) is $2000, then you start by saving $20 per month. Be sure to set-up a separate savings account that isn't too accessible. You don't want to get caught up in the transfer-from-savings-to-checking game. Once you have demonstrated your ability to save 1 percent, then add one more percent. You won't become wealthy overnight, but you will develop the habits and discipline that are needed to amass savings.

5.
Don’t forget to teach your kids about money

Your hard work goes a long way in teaching your children the right way to deal with money. However, your hard work alone isn’t enough. You must be purposeful when it comes to teaching your kids about money. You must know what to teach them and what not to teach them.

6. Make contingency plans (wills, insurance)

The term "estate plan" is often used to reference your final wishes, your last will and testament and custody instructions regarding your children. The process of altering an estate plan is one of the most forgotten aspects of financial planning. Consider what can go wrong without changing your estate plan. For instance, many estate plans give one spouse the ability to have final say in regards to "end-of-life decisions." Placing this sort of decision in the hands of someone you may be disconnected from for decades is uncomfortable. In addition, your assets, your possessions and, more importantly, your children are all addressed in your estate plan. You must update these documents with current information and wishes. The easiest way to do this is to contact an estate planning attorney.

7. Find an accountability partner

As you know, you have a tremendous amount of things going on in your life. It will be challenging to whip your financial life into shape, and it will be even more challenging if you try to do it alone. It's quite helpful to recruit a friend or family member to help hold you accountable to your goals. In return for their support, you can serve as their accountability partner too.

Here are the best ways to properly utilize an accountability partner:

1. SHARE YOUR GOALS. THESE GENERALLY SHOULD BE SHORT-TERM GOALS (30–90 DAYS).
2. DISCLOSE YOUR NUMBER ONE FINANCIAL STRESS POINT.
3. DISCUSS WAYS YOU CAN MAKE PROGRESS TOWARDS YOUR GOALS.
4. BE HONEST. YOU CAN'T MAKE PROGRESS IF YOU ARE LYING TO YOUR PARTNER, AND YOU CERTAINLY CAN'T MAKE PROGRESS IF YOU ARE LYING TO YOURSELF.
5. SET NEW GOALS THE MOMENT YOU ACCOMPLISH YOUR OLD GOALS.

8. Thoughts on college funding

I'm not suggesting that you should pay for your kids' education. Nor am I suggesting that you have failed in any way, shape or form if you have failed to save for their education. In fact, you may actually feel guilty if you have not pre-funded their education. But do not, under any circumstance, dig a deeper hole by allowing your student to mortgage their financial future via student loans. And for that matter, you should not take out loans for their education either.

The solution is not to forego post-secondary education. The solution is to lessen the cost of said education. The $75,000 question is: how in the heck do you do this? Very strategically.
There are several ways to decrease the cost of a college education while avoiding student loans. One of the most significant cost-cutting measures is to secure college credits while your student is still in high school. In some instances, acquiring college credits while in high school, from the high school, may result in a substantial discount on tuition. With early and proper planning, you can eliminate thousands of dollars worth of potential student loans.

9. Lean on your benefits

You must fully understand the benefits that your employer provides to you. Most people think that benefits only include health insurance and dental insurance. This just isn't the case. Many companies have extensive benefit services that can help you substantially. You need to take the time to sit down with your HR (Human Resources) person and discuss the bevy of options for you.

These benefit options could include legal services, daycare, financial wellness programming, nutritional services, tuition reimbursement and flexible spending accounts. You should take the time to understand whether or not you should purchase a "traditional" health insurance plan or a HSA plan. Making the right decisions for you and your family is vital to your financial success.

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