COOPERATIVE EXTENSION SERVICE
Knapp Hall, LSU Campus
Baton Rouge, Louisiana 70803
Post Office Box 25100
Baton Rouge, Louisiana 70894-5100
(225)388-4141
Fax: (225)388-2478
Website: www.agctr.lsu.edu

EXTENSION PROGRAMS
Agriculture and Forestry
Community Leadership
Economic Development
Environmental Sciences
Family and Consumer Sciences
4-H Youth Development
Natural Resources

Are Your Children in the MIDDLE of Your Conflict or Divorce?

Managing Income and Expenses

When parents divorce, they experience money changes. These changes affect them emotionally, socially and financially. The emotional impact may bring about feelings of grief and loss about changes in financial status. The social impact results in needing to manage the disagreements or conflicts around money. Financially they must figure out how to manage the money during and after the divorce process.

Divorce creates many kinds of stress for all those involved. Potential exists for serious financial stress. Even when resources are adequate, and especially when they are limited, careful planning can enable individuals to make the best of their financial situation and avoid costly errors as they move forward after divorce.

The issues brought up by money are complex because they affect many parts of a person's life. How parents choose to view these changes has a big impact on their adjustment process and how they resolve their issues and conflicts around money.

Many people who experience divorce will work hard to keep everything just as it was. Making changes in how money is handled may take time. The challenge is that, for most people, a change in income is immediate. It may take time to adjust to the change and learn how to approach money differently. Because financial changes involve the children, it's important to communicate with them. Talking about the change, in an age-appropriate way, making sure they understand they are not to blame for the money problems and involving them in decisions to spend money differently are good strategies.

Most people do not make immediate spending changes to compensate for an income loss. These changes usually take several months and often occur at crisis points. People who more quickly change their spending or consider different options are usually more satisfied with the adjustments they need to make.

It is important to act quickly to adjust excess spending. The whole family, including children, needs to talk about the necessary spending changes because these decisions affect all members. When children are not included in this planning and discussion, they may develop unrealistic fears. They may think they are somehow bad or the cause of a problem they sense but that has been kept a secret from them. If family members understand and have a voice in the tough choices that must be made, they will be more willing to follow through on them. Family members can help each other stick to these decisions.

Change

During any time of change, families can best stay in control of their finances through careful planning and tracking. This principle certainly applies to divorce situations, which usually involve many changes -- in household composition, in income, sometimes in moving to different cities. To be as satisfied as possible within the new financial situation, it is important to assess values, goals and priorities carefully. In fact, because adjustments continue to occur over time during and after divorce, it will be important to continue to review the established goals and priorities regularly. No one can be satisfied with where their money is going unless they are spending it in ways that match their highest priorities.

Are Your Children in the MIDDLE of your Conflict or Divorce?

Managing Income and Expenses

Income-expense Gap

Because it takes more money to operate two households than one, it is usually a challenge to keep expenses within income after a divorce. Income may decrease suddenly, and it is important to adjust spending as quickly as possible. For some people, change is difficult; they want to keep things the same as they have always been. People who more quickly change their spending or consider different options are usually more satisfied with the adjustments they need to make.

To stay in control of finances, start with a written budget or spending plan. Since most bills come once a month, it makes sense to look at income and expenses month by month. For many people, the budget stays about the same from month to month. Income and expenses can change dramatically throughout the divorce, however, so it is wise to review and adjust your spending plan carefully at least once each month.

Several types of one-time expenses may be incurred during a divorce process, including legal fees, moving expenses, utility service connection charges and deposits, additional home furnishings or equipment. It is critical to include these one-time expenses in your plan. If possible, plan to cover those expenses from savings or current income. If that is not possible, carefully examine low-cost options for borrowing or making installment payments. As you make your budget, remember to plan for short-term or long-term goals that are important to you.

Whether your goal is a college education or a short family vacation, saving is usually the most effective way to reach the goal. It is always wise to include all family members in spending plan discussions and to make the plan reflect family members' needs and priorities as much as possible. If family members understand and have a voice in the tough choices that must be made, they will be more willing to act within the plan.

Follow the plan

A plan is useless if it isn't followed. Track your spending to make sure you follow your plan. Pay close attention to how well your actual spending matches your plan. Because you are in a new financial situation, you will undoubtedly discover spending categories in which your first estimates were incorrect. By catching those quickly, you can adjust your plans. The choices may be difficult, but you will be happier with the results if you make choices instead of simply allowing chance to determine where your money goes.

Get everyone in the family involved, and ask these questions:

- Can we substitute a less costly item?
- How can we conserve what we have and avoid waste?
- Are there opportunities to cooperate with other by trading or sharing what we can do or learn to do?
- Can we save if we do it ourselves?
- Can we do without or do it less often?

Financial Security

When a household has only one wage-earner, it takes greater effort to establish a level of financial security. Along with changing spending patterns to fit available income, decisions in three other areas will affect financial security.

An emergency savings fund may be used for such minor emergencies as car repair or medical bills, but the main purpose is to protect against the ultimate emergency: loss of income. The ideal emergency fund provides enough money to cover household expenses for three to six months. If you are starting from scratch, it may take years to build an emergency fund to that level, but it still pays to start gradually building that savings cushion. Every dollar saved is a dollar that keeps you more than a paycheck away from financial disaster.

Insurance

Health, auto, homeowner's/renter's and life insurance is a second important component of financial security. You may need to work with your former spouse to ensure continued health insurance coverage for children; in addition, if you were covered under your spouse's employer-sponsored health insurance, federal law allows you to continue coverage (at your own expense) for up to 36 months after the divorce is final. In addition to considering life insurance for yourself, you also may want life insurance coverage on your former spouse if he or she contributes support for you or your children. Consult with a legal or financial professional to determine the ownership of policies as well as beneficiary designations.

An often-forgotten type of insurance that is critical to single wage-earners is disability insurance. If a disability made you unable to work, either temporarily or permanently, disability insurance would replace part of your income. Find out what type of disability insurance is available from your employer or explore other options for coverage. Making sure your former spouse is covered by a disability policy may be important protection if you or your children count on income support from him or her.

Decisions about credit also affect your financial security. Credit is a valuable resource; it is wise to make sure you can obtain credit if you need it. Some ways to ensure your access to credit are to have credit in your own name, pay your bills on time and avoid taking on more debt than you can reasonably handle.

As you build a new life during and after a divorce, you'll find that taking control of your income and expenses will pay off financially. It will also help you build self-confidence, feel secure and be proud of the decisions you are making. By keeping financial stress to a minimum, you can give energy and attention to other important areas of your life.

Are Your Children in the MIDDLE of your Conflict or Divorce?

Managing Income and Expenses

Budget basics

First, you need to write down how much income you can expect and when you can expect it.

Tips: Begin with only the income you can count on.(Later, you can write down what you will do with any additional income you receive.)

Next, write down your expenses. Start with those that are regular bills each month; then write down the amounts you spend on flexible expenses (food, fun, household items, gas, etc.).

Tips: Spend some time as you write your expenses, so you can come up with a complete list. Expenses will be different during and after divorce than they were before. Make your best realistic estimate of what your expenses might be. If you have records of past spending patterns, use them to help form your estimates.

Don't forget:

1) **Include some savings, even if only a little.** Without some savings, every small problem can become a major emergency.

2) **Plan for irregular expenses.** These are the expenses that don't occur every month, such as car insurance that is due twice a year, back-to-school costs, holiday costs, memberships or subscriptions.

Balancing Income and Expenses

Step 1

Your monthly income (take-home)*

	Before Divorce	**During Divorce**	**After Divorce**
Salary, wages $ $ $			
Unemployment compensation			
Child support			
FIP			
Food stamps			
Spousal maintenance			
Other			
A. Total monthly income $ $ $ (A)			

Step 2

Monthly Expenses

	Before Divorce	**During Divorce**	**After Divorce**
Housing (mortgage or rent) $ $ $			
Utilities (electric, gas, phone, etc.)			
Food (at home and away)			
Transportation (gas, car repairs)			
Medical care (doctor, dentist, hospital, prescriptions)			
Credit payments (loans, credit cards)			
Insurance (life, health, disability, car, property, house)			
Household operations and maintenance (repairs, cleaning, laundry supplies, etc.)			
Clothing and personal care (clothes, laundry, toiletries, etc.)			
Child care			
Education and recreation			
Miscellaneous (childcare, gifts, allowances)			
Funds set aside for seasonal and occasional expenses			
B. Total monthly expenses $ $ $ (B)			

Step 3

Balance income and expenses

Total monthly income (A)		Total monthly expenses (B)
$	=	$

Balance income and expenses. When you add your income and your expenses, they probably will not match. You'll need to increase one side or decrease the other. When income is too low for expenses, the choices can be tough. But they will be your choices.

*Because most bills are monthly, it's easiest to look at income and expenses on a monthly basis. Multiply weekly income by 4.33 and bi-weekly income by 2.17 to convert them to monthly amounts.

LOUISIANA COOPERATIVE EXTENSION SERVICE
LSU AGRICULTURAL CENTER
U.S. DEPARTMENT OF AGRICULTURE
KNAPP HALL
P.O. BOX 25100
BATON ROUGE, LA 70894-5100

Are Your Children in the MIDDLE of your Conflict or Divorce?

Managing Income and Expenses

If you are interested in more information on this and other related topics, please call your local LSU AgCenter parish office. Below is the list of topics in the "Are Your Children in the Middle of Your Conflict or Divorce?" series.

A Child's View of Divorce
The Business of Co-parenting
Coping with Stress and Change
Costs of Raising Children
Custody Issues Today
Dating Issues
Disciplining Children
Friendship and Support
Help! I Feel Overwhelmed
Loss of a Relationship
Managing Income and Expenses
Not Enough Hours in the Day
Separating Your Finances
Sharing Parenting
Talking with Your Children
Talking with Your Children About Money
Talking with Your Children -- Communicating Within Your Family: Active Listening
Visitation Do's and Don'ts

References

Wollan, B. & Fletcher, C.N. " Managing Income and Expenses" ISU (Publication No. PM -1720) **Divorce Matters**, Iowa State University.

Danes, S. M. & Stumme, P. (January 1995). "Adjusting to Suddenly Reduced Income," (Publication No. BU-6499-E), University of Minnesota.

Diane D. Sasser

This publication was originally produced by the Iowa State University Extension Service. It has been revised and made available in Louisiana by Diane D. Sasser, Ph.D., Assistant Specialist (Family Development) and Jeanette A. Tucker, Home Economist (Family Resource Management).

Louisiana State University Agricultural Center, William B. Richardson, Chancellor
Louisiana Cooperative Extension Service, Jack Bagent, Vice Chancellor and Director

Pub. 2799 - K (2M) 5/00

Issued in furtherance of Cooperative Extension work, Acts of Congress of May 8 and June 30, 1914, in cooperation with the United States Department of Agriculture. The Louisiana Cooperative Extension Service provides equal opportunities in programs and employment.