

From Two Incomes to One



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Finances: Most Don't Confront Financial Reality of Divorce until after Separation

When Dee Coleman's marriage ended, she was confronted with a very tough reality: She couldn't survive on what she was making. "Strange now that when I look back, the emotional pain has long healed," says Coleman, "But I still remember shaking in my boots when it dawned on me that to I needed to make some drastic changes, if I wanted to raise my eleven-year old daughter, and at the same time, not lose our home."

Going from two incomes to one often is often a jarring taste of reality. As [Robert Brownstein](#), a Sausalito, Calif., CPA and personal financial advisor explains, "And most people don't confront it until after the actual separation." Brownstein has worked with clients whose \$400,000 household incomes plunged to \$80,000 and less. "Grieving the loss of a marriage is much like grieving the death of a loved one. On top of all this emotional turmoil, you suddenly find yourself facing financial problems as well."

In Coleman's case, \$125,000 dropped to \$20,000. And while her ex-husband provided some child support, the lifestyle they had lived as a family of three vanished overnight. Before the divorce, Coleman was averaging 20 hours per week as a volunteer leader for her daughter's Girl Scouts troop. Of course, she had to give that up when her bills began to mount.

To make ends meet, Coleman went from holding down one part-time job to juggling three jobs at the same time. "It was horrible," she says. "I loved the time I spent with my daughter, and now I was dropping her at one friend's house, picking her up and dropping her off somewhere else, and then rushing off to my next job. I was working an accounting job, got licensed to sell real estate and was working nights to sell Mary Kay Cosmetics. Life was a three-ring circus for a couple of years. There's just no other way to describe it."

"It's very tough," says Brownstein. "You're not emotionally prepared to do the things to stay solvent, and yet in order to survive, you must. But stretching your income by running up your credit cards catches up to you in a hurry."

Changing our earning power doesn't happen overnight. Making money is one thing. Saving it is another, which is why [Evelyn Prasse](#), a consumer and family economics educator with the University of Illinois Urbana, suggests a complete re-evaluation of your spending habits. "Having a realistic spending plan is essential," Prasse says. "Credit is not income. It is future income that you're indebting."

Prasse acknowledges that going on a "credit diet" is as daunting as an actual diet, but in the end you can be equally pleased with the results. "Maybe it's for a week or a month, but locking up the credit cards for a period of time is often a valuable first step in controlling your money." For single moms or dads, Prasse thinks it's particularly important to make savings a family endeavor. Even children as young as seven, she suggests, will comprehend the art of envelope budgeting.

For that lesson, consider using play money. Divide the amount of your total monthly income into expense categories, such as your mortgage, utilities, groceries, insurance and savings. Include a non-essentials category, for things like movies, eating out, and toys. Write these categories on individual envelopes. The final step is for the children to put the right amount of money into the envelopes. Whatever money is left over can go in the non-essential envelope.

But what if nothing is left over? To make sure that doesn't happen, Prasse also reminds her students to "pay themselves first." Whatever you earn, she suggests, you take between five and ten percent of that amount and put it away in savings: whether it's a household plumbing problem or tires that must be replaced, you will always have unexpected expenses for which that extra savings will make a real difference. That added cushion can provide the margin that allows you to enjoy some non-essential items every now and then.

"Too often we make the mistake in frustration of simply saying 'We can't afford this or that,'" explains Prasse. "Envelope budgeting gives you and the kids an important reality check in understanding what you have, and what you need. Resources are limited regardless of your income. Learning to manage the resources you have is the real secret to success."

A QUICK GUIDE TO TAMING YOUR BUDGET

Turning yourself into a smart consumer does not happen overnight. You'll need to give yourself at least a few weeks — if not a few months — to master a more thoughtful approach to spending. Evelyn Prasse encourages all of her students to use the More For Your Money section of The [University of Illinois Extension](#), which offers a comprehensive online guide to assist you in all areas of your financial planning.

Here are some easy tips for making every hard-earned dollar work as two:

1. Clothing.

Don't buy here and there. Don't buy on a whim. Know your clothing needs and look for those specific items. Purge your closet so you truly know what you have and what you need. Be sure to throw out what's no longer needed or practical and to keep what fits and looks good. When you do shop for yourself or your kids know your budget before you look. Buy at the right time, which is the end of the month, end of the season, and during post holiday clearance sales. Buy clothing that is easy to care for. That means reading the label, and recognizing that wash-and-wear clothing is a lot better on your budget than dry cleaning. Finally, remember that the art of sewing a button or mending a tear will help keep your budget from splitting at the seams. Our mothers and grandmothers knew what a needle and thread looked like. We forget these savings shortcuts at our own peril.

2. Groceries.

Food bills can eat up your budget in a hurry. As with shopping for clothes, the smart buyer is the one who goes to the store prepared with a list, and sticks to it. Don't fall into the trap of going to the store with a raging appetite. Hungry people buy more of what they don't need because they're listening to their stomach rather than their heads. Avoid prepared foods whenever possible. Instead, create meals at home. It's a lot easier than you think. Leftovers, particularly for the divorced parent of one or more kids; is a budget lifesaver. At any of the big box stores, you can buy enough food storage containers for a small army, for the cost of \$10 or less. Then, rather than that \$20 pizza order when you're too pooped to cook, grab one of those storage containers from the fridge and serve up what's left from the night before. In a couple of minutes you can add a new side dish and make what was old new again. Also, while at your local big box store, check out their prices on everything from dry cereal to pancake syrup. The difference in price can be as much as 50 percent. Finally, look at the product mix at the store. When Wishbone dressings are off sale, Kraft dressings may be marked down, or visa-versa. By comparison shopping, you'll stretch your dollar further than you thought possible.

3. Entertainment.

We all want to live on a budget without feeling the big pinch. This is especially true when it comes to entertainment. So play it smart. For example, if you love romance novels, buy them at a "Friends of the Library" book sale for pennies on the dollar. In most towns you'll be amazed by the selection and delighted by the prices, not to mention that a library card can save you

a small fortune. Since many of us enjoy a good book, but don't want to make room in our homes for them, this is an ideal compromise. When it comes to going to the movies, look for bargain matinees, or go on discount Tuesdays. And don't forget that many of the online services keep getting more affordable to rent videos on demand. Most communities have free museum days, and discounted theater and symphony tickets. They may not put a big ad in the paper that shouts out "Good Seats at Cheap Prices," but that doesn't mean affordable seats aren't available—if you know where to look for them. As with most bargains, you have to do a little digging, a little asking, and apply a little patience.