



## Financial Tips for Single Parents

As a single parent, your family's financial well-being can feel like a huge burden. The daily necessities of life along with kids' desires for music lessons and sports activities, special events like school dances and graduations, and not to mention college tuition, can be not only a source of worry but also the reason why many single parents find themselves buried in debt. In trying to provide their families with the kind of life they desire for them, single parents find themselves spending beyond their means in the hope that circumstances will change and at some point they will be able to make up their debts.

A real result of the stress that comes with being a single parent can be physical and mental health problems. This volume does not attempt to deal with those problems but that does not mean that FFEF doesn't recognize how serious those problems can be and how much they can impede your ability to make real progress. There are other organizations far more

equipped to advise you on how to recover from those medical symptoms so we recommend that you get help from an appropriate group, whether it be a support group, a therapist, or a general practitioner. Many health insurance benefits offered by employers as well as Medicaid and SCHIP now include benefits related to mental health so be sure you ask your benefits administrator about what is available to you. Mental health problems are real and are nothing to be embarrassed by or ashamed about. Putting yourself on the road to recovery is a brave step and we encourage you to take it.

One way for single parents to begin dealing with the stress that accompanies their financial burdens is to put some financial plans in place that help them to begin to make the most of what they do have so that they can stop spending what they don't have.

If you are a single parent, you probably realize that saving money is important to secure your financial health in the future, but you also probably

find it difficult to do so when it seems every penny you earn is already allocated. In this volume, Family Financial Education Foundation has compiled some tips, advice, and avenues for help that you may not be fully aware of so that you as a single parent can make the necessary changes, both philosophical and practical, that will help you to get your financial feet on steady ground.

Although it may seem difficult at times to be a single parent, there are some effective ways to deal with the struggles. Consider the following suggestions:

**Determine which things you can control.** Try to focus on the issues you can change and worry less about the things you can't change.

**Ask for and be willing to accept help.** Delegate responsibilities when you can, and form a strong support network of people who can provide practical and emotional support. Other single parents may be especially helpful resources.

**Take care of yourself.** Healthy eating along with rest and exercise can do wonders for your spirits. These positive behaviors also encourage your children permission to do the same.

**Establish strong parenting skills.** Discipline your children in a caring and consistent way. Encourage open communication and appropriate expression of feelings. Try developing some new family traditions.

**Make managing the household a family affair.** Create a communication

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board and calendar in a central location and encourage family members to keep their schedules updated. Hold family meetings as an opportunity to develop meaningful communication and build self-esteem among family members.

**Develop New Thinking.** Think of you and your children as a family rather than as a unit with one party missing. This will help you make decisions that will help you progress instead of making decisions based on the idea that there will be someone returning. Feeling like a temporary or incomplete family can prevent us from seeing our financial needs in their true light. If we assume that someone else is going to come along and take care of us, we won't work at taking care of ourselves.

**Develop New Habits.** You probably have lots of financial habits that you really don't even think about. It might be a favorite dry cleaner you use who's a little more expensive than the others, maintaining an expensive cell phone plan, or stopping for coffee every morning on the way to work. These habits might have to change when you become a single parent. Start with one or two habits that need to be changed. Don't try to change everything at once.

**Check Your Financial Fitness.** If you were previously married, you may have shared financial responsibilities. Now that you're single, there are some things you will need to make sure you have in place. See how you do on the following questions. They are a good place to start for taking control of your financial responsibilities.

- Do you have a list of your accounts all in one place?
- Do you have a disability policy and do you know how much it is for?

- Do you have a life insurance policy and do you know how much it is for?
- Are your taxes up-to-date?
- If you have a home, do you know where your mortgage paperwork is?

### Where Do I Begin?

Making a plan for saving is as important as making a plan for the money you save. If you haven't yet begun to save money on a regular basis, there are four types of savings plans you'll need to put in place as a single parent.

Don't be discouraged by thinking you have no way to save money because of the expenses you have. Other chapters in this volume will help you look at ways to find the small extra amounts you'll need to get started. Here we provide an outline of what to aim for down the road. Begin with the first savings plan and the others should follow sequentially.

#### 1. Emergency Savings Fund

All of us face emergencies now and then, and they usually come at the most inopportune times, which is why we call them emergencies. All too often, we are not financially prepared when the car breaks down, the furnace gives out, or a child breaks a bone. Most of the time, these financial emergencies are unexpected and unplanned for, especially the broken bones! Cars and furnaces may have given signs that trouble was ahead, but we chose to ignore the signs because we thought we could get by for just one more month. When the inevitable happens, we're too often forced to put those expenses on a credit card or take out a loan to cover them.

The best way to avoid a bad financial outcome when emergencies happen is to start an emergency fund. Aim to

begin by saving a small amount each month. If you can manage it, \$25 per month is a great place to start. If you have to begin with less than that, that's okay. The important thing is to get in the habit of putting something aside and leaving it there.

Open a separate savings account where you can deposit your emergency fund money. If you have direct deposit set up for your paycheck, have your bank transfer the monthly amount you want to add to your emergency fund directly into your savings account from your paycheck, even if it's only a few dollars. That way, you don't have to think about it. Your emergency fund will grow on its own. And then don't touch it. It's ONLY to be used for real emergencies. A trip to the spa to cheer you up after a hard week doesn't qualify as an emergency.

#### 2. Goal-Oriented Savings

A goal-oriented savings plan is a plan you start when you want to save for a specific purpose. Examples of goal-oriented savings include saving for a new car, a new couch, a new dress, a trip you want to take, or even a down payment for a house. This should happen after you've already built up a good emergency savings fund. That means you'll have to set a goal for your emergency fund. You decide what that will be. Some advisers suggest \$1,000 minimum, others suggest enough to cover expenses for six months in case you become unemployed. Think about the emergencies you've encountered in the past that you have had to pay for with a credit card or by borrowing from someone. Think about what kind of shape things are in around the house, your car, emergencies the kids might have. Now determine a realistic goal for covering these emergencies. The goal may seem overwhelming at first, but it won't take long to realize how much better it is to have the money to pay for things as they happen.

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Once you've reached your emergency fund goal, you could then begin putting that monthly amount into your goal-oriented savings fund. Remember to top off your emergency fund again when you have to take money out of it. Your goal-oriented savings should also be in a separate place so that you aren't tempted to use it for other things. One of the long-term benefits of a goal-oriented savings plan is it helps you to stop purchasing items you want on credit and be patient until you have saved enough to pay cash for them. You'll be able to discipline yourself to stay out of debt.

### **3. Retirement**

Don't rely on Social Security as your only income when you retire. It won't be enough. Many people who bought their homes in the late sixties or early seventies now pay as much or more in property taxes each month as their mortgage payment was. Those are the cold, hard facts so unless your employer provides a really good retirement savings plan, it's up to you to begin setting aside the money that you are going to need to live on when you're no longer working. Of course this may seem incredibly far away, but the sooner you can begin setting a little aside each month, the lower that monthly amount will have to be and the more you will have in the long run simply because it will have more time to grow.

It may seem odd to you that this savings plan should start happening before you begin saving for your children's college tuition. The truth is, your children can provide their own college tuition if they have to, but they're not going to want to fund your retirement, and you wouldn't want them to. If you aren't able to save enough to cover college tuition, your children can work while they go to college, save while they're in high school, or as a last resort, take out a school loan. School loans have

some of the lowest interest rates in the country. Even Suze Orman recommends using extra money for almost anything else before you pay off your student loans because the interest rate is so low.

### **4. College Tuition**

College is expensive and many parents hope to send their children to college. As a single parent, the challenge is even greater for being able to do this. Covering the expenses with a single income that in many households are covered by two incomes can make saving for college difficult. But it can also mean that your children may be eligible for grants that aren't available to students who don't have as great a financial need. Before you start feeling depressed about not being able to help your child out with college funds, make

sure you investigate some of the avenues that are open.

Take a look at the FAFSA website at <http://www.fafsa.ed.gov/> for information about income level requirements for government grants. Be sure you use the site address above. Other student loans are not affiliated with the Federal Department of Education. Many trade colleges also offer financial scholarships and grants. Call the schools your child is interested in and ask about financial help they may have available to low-income households. Talk to the high-school counselors at your child's high school and see what assistance they can offer. Local community colleges are an excellent option for post-high-school education, and they often have options available that universities can't provide. ■

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## **One Penny at a Time**

When we think of saving money or reducing expenses, we often think of significant amounts of money, but sometimes it's the little savings that mount up over time that become significant in the long run. When we begin a plan to become debt free, we ask ourselves, "Where can I save money?" and it might seem that we have made all the cuts we can possibly make.

That is where the pennies come in. When it feels like there is just nowhere left to conserve, we can still find ways to save a few pennies. Here we've collected some of our favorite ideas for putting the pennies in your piggybank instead of someone else's pocket.

### **Avoid penny meltdown**

Your refrigerator is probably the single biggest user of electricity in your house. Did you know that one of the best ways to reduce the amount of energy it uses is to clean the coils? Doing this every six months will help you use less energy and save money.

(Flip up or remove the kick plate or toe grill, and clean with a vacuum attachment or bottle brush. Make sure to unplug the fridge or turn off its circuit breaker first.) So will keeping the fridge set between 38 and 40 degrees and the freezer between 0 and 5 degrees — the settings where the refrigerator operates most efficiently.

### **Keep your pennies on standby**

Chances are, when you are through watching television, playing computer games, or watching a movie using your DVD player, you turn these electronics off so that you don't waste energy. But did you know that you can save even more pennies by unplugging them? Even when they're turned off, the standby electricity these electronics use is almost the same as leaving a light bulb turned on continuously. You can make saving pennies like this easy on yourself by plugging several electronics, say the television, DVD player, and video game, into a single power strip and just switching the power strip off.

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Even small gadgets like mobile phones, digital cameras, and hand-held vacuums can lead to small savings. Once they're charged, keep them unplugged until they need charging again instead of leaving them on the charger for long periods of time.

#### Don't flush money down the drain

More and more we hear that a large amount of the water you use in your home, as much as 40 percent, goes down the toilet. It may not be in your budget to replace your toilet with a new "low-flow toilet," but there is something you can do yourself that will have a similar effect. You can cut the amount of water you flush by half or more by putting a brick or plastic milk jug filled with pebbles in the toilet tank. The space the brick or jug takes up will reduce the amount of water that's needed to fill the tank, so you save gallons of water—and pennies—with each flush.

#### Tip yourself

Your dryer has a lint filter to catch the lint that comes off your clothes as they dry. But that lint is not meant to stay in the filter. If you clean out the lint filter of your clothes dryer each time you dry a load of clothes, you'll reduce the amount of electricity you use by up to 30 percent. That can put quite a few pennies in your piggy-bank. Make sure you know where the lint filter is on your dryer and make a habit of pulling it out each time you dry clothes to clean off the lint that has collected there.

#### Automate your bill paying

The Internet has revolutionized how we live. It won't be long until banking online is as much a part of our finan-

cial lives as debit cards. You probably have friends or family who already use online banking and swear they would never go back to checks and envelopes again.

#### Advantages of paying your bills online:

1. If you've ever stressed over a misplaced bill, the idea of online payments can be a major relief. With online bill payments, you can select a convenient payment method of "recurring payments" for ongoing bills like rent, car payment, even utilities, that will automatically deduct the payment each month from your checking account.
2. One-time and periodic payments can be set up months in advance.
3. You don't have to save your paper bills to remember to pay them each month, but most companies will continue to mail out your paper bills for review if you prefer to keep them.
4. You can choose exactly when you want your payment to be deducted from your account—on payday for example.
5. With access to the Internet, you can view your statement and check your balance anytime.
6. Making sure your bills are paid while you're out of town is no longer a problem. That means there are no bills to catch up on when you get home.
7. You will be buying fewer stamps, which will save you a little money. If your bank charges you for checks, you will also save money there. It's not a huge savings but it could cover a night at the movies with the kids.

8. You'll also save a little time each month that you would have spent paying the bills. You can focus your time and energy on other things instead of facing the draining task of paying bills every month.

9. Your credit report will improve because you are paying your bills every month and on time.

#### Disadvantages of paying your bills online:

1. You need access to the Internet, which is available at most public libraries if you don't have it at home.
2. Depending on the services you sign up for, there may be a monthly fee. But, considering the savings of your time, energy, and peace of mind, it may be a small price to pay.

If you'd like to try automatic bill pay, check with your financial institution to see if it's available for you. ■

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