URS
Utah Retirement Systems

Financial Wellness for Single Parents

Managing money can be challenging for anyone, but perhaps even more so for single parents with children/dependents at home. Here are some considerations and tips.

» **Consider taking a personal finance course.** Taking a money management class can change your perspective about how you feel and think about money as a single parent. You may want to handle money differently than the way you did when you were married.

» **Build a spending plan for child expenses through the high school years (at least).** Raising children can become expensive: diapers, childcare, healthcare costs, clothes, and food, etc. Add in some school clubs and sports at various ages, and then think about college costs. You may even be called upon to help pay for your child's wedding in the future. You can take some stress out of the month-to-month challenges of paying bills now by building in some realistic numbers for these longer-term expenses. If you've recently gone through a divorce, revise your spending plan to reflect the reality of having just one income for your household.

» **Take full advantage of any employer benefits.** Use a flexible spending account (FSA) to pay for childcare, which can lower your income taxes. Or check to see if you have a health savings account (HSA) option through your employer, as contributions there can reduce your income taxes. (Note you can only have one or the other open for current contributions.) If you have an employee assistance program, don't be afraid to use it if you need some emotional support during trying times at home. Many employers offer a wellness program that provides paid time during the workday to exercise or perhaps a reduced gym membership or some other type of fitness program.

» **Insurance.** Make sure you have adequate life insurance and disability insurance. As a single parent, you may be the sole reliable source of financial support for your children. Check with your employer to see if you have access to any group life insurance and/or disability insurance. Consider having enough life insurance to cover any personal debt you may have, such as a student loan, auto loan or mortgage, as well as future living expenses for your children until they complete high school or college.

» **Update any insurance policy and retirement plan beneficiaries.** Under Utah law, a divorce or annulment of a marriage revokes any beneficiary designation of the former spouse as a beneficiary with URS. If you wish to re-designate your former spouse as beneficiary, complete a new beneficiary

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form after the date of the divorce and submit it to URS. Along these same lines, make sure your estate planning documents are current. Be sure to name a guardian for your children (if any and if you have custody), in case something happens to you.

» **Debt.** If you have student loans, credit card debt, or maybe an auto loan, decide how you want to tackle them. Think about consolidating your debts to potentially lower interest costs and/or minimum payments. Research any student loans carefully, because there may be special refinancing options and income tax implications for any decisions made there.

» **Get a copy of your credit report annually.** You can receive a free copy of your credit report once a year from each of the three main credit reporting agencies. Visit https://www.annualcreditreport.com/index.action for more information. Consider placing a credit freeze with each agency as well, to prevent unauthorized credit accounts from being opened fraudulently. Each credit agency has its own process for placing a freeze, as well as lifting the freeze when necessary.

» **Decide on your saving priorities**. Do you want to save for a house, a car or other big purchase? Do you want to focus on paying down debt, such as student loans? One option to always take advantage of, if available, is any matching retirement plan contributions by an employer. If offered, you should always contribute enough to get the full matching contribution, as that is free money from an employer.

» **Build an emergency fund.** Ideally try to save up 3-6 months of living expenses, which can help meet your financial needs if you should lose your job or become too ill to work. Consider investing the money very conservatively, such as in a CD or savings account. You could also use a Roth IRA as an emergency fund, because you can always withdraw your contributions (but not earnings) without any tax consequence. The upside of using a Roth IRA is that you're getting a dual benefit: a tax-free retirement account for retirement while also serving as a potential emergency fund during your working years.

» **Taxes.** If you have custody of your children, check to see if you can file as head of household for your federal income taxes; doing so can lower your income tax. Be sure to claim any child tax credit and/or any child/dependent care tax credits you may be entitled to. These tax credits are a great way to lower your income tax bill.

» **Gift giving.** If your financial resources are limited because of being a one-income household, think through how you will handle birthday and holiday gifts for your children. Watch the temptation to overspend on gifts to "make up" for anything you may feel is missing in their lives. You being in their life is the most important gift you can ever give them!

For more information on federal and local government benefits, visit **www.benefits.gov/categories/Family%20and%20Children%20Services**