

Common ties

A Newsletter for Families Parenting Apart

Rebuilding Your Finances

Ending a relationship can be hard on your finances and credit. Some challenges are inevitable. The same amount of money you were earning in one household now has to stretch to support two. Researchers estimate divorcing individuals would need more than a 30% increase in income to keep the same standard of living they had prior to their divorce. (Sayer, 2006)

Other financial problems can occur if bills don't get paid during legal proceedings or one party doesn't live up to their obligations. Sometimes people hold off paying bills until they find out who the court will hold responsible for certain debts. Unfortunately, late fees and interest continue to mount. More importantly, those missed or late payments can seriously damage your credit score. If you have a joint account, explore how to close it.

Now is a good time to look at your credit report. Federal law lets you order a FREE credit report from each of the 3 credit reporting bureaus every 12 months. Start by ordering a report from one bureau at www.annualcreditreport.com. This is the only truly free service.

Review the information to make sure everything is listed properly and that none of your ex-partner's information or accounts from before your marriage are showing up. If there are errors on your report, contact the credit bureau to have them corrected. If you are closing an account, contact the creditor to close it and ask them to report to the credit bureaus the account closed was at your request.

Make needed corrections and in about four months order a report from a second credit bureau to verify that everything is now being reported correctly. Order your third report about four months later to monitor any changes.

After your divorce or separation is finalized, you will want to establish your own credit as you qualify. If opening a new account, shop around for the best rates and check the rate after an introductory period.

Remember, one of the most important things to do is pay all your bills on time. You also will improve your score by paying down your debt. If you can't pay off the whole balance, try to at least pay more than the minimum amount due.



**“Start
wherever you
are and start
small.”**

-Rita Baily

TIPS FOR PARENTS:

Be aware of your children's feelings

FEELINGS



Changing finances can bring about a change in lifestyle for the entire family. This causes tension and stress. Because of this, adults frequently become preoccupied, upset or inattentive, forgetting that it has emotional and financial impacts on their children as well. Children depend on their parents for emotional security, and when they are tense, upset or inattentive that security is lost.

- Allow children to share their concerns or fears.
- Help children focus on positive aspects of their lives. Look at family strengths and contributions and acknowledge them.
- Spend family time together doing low-cost or no-cost activities that family members enjoy.
- Hold family discussions.
- Recognize symptoms of stress that may affect your children. Positive attitudes and family communication are important in helping families deal with change.

Dealing with a Drop in Income

One common result of divorce or separation is a sudden drop in household income. It's natural to be shocked or panicked or to want to ignore the situation. Instead of worrying, take action.

The **sooner** you look at your household budget, the more options you have and the better you will be in the long run. A budget really is a **spending plan** and the first step is to compare your income to current expenses. Figure out what your current income and monthly living expenses will be. Will your income cover your expenses? Are there some expenses or activities you'll need to cut back on?

There are many resources available to help you develop a monthly spending plan. Check out the budgeting section on the UW-Extension Tough Times website at <http://fyi.uwex.edu/toughtimes>

Where do you start if you can't pay the bills?

Prioritize your bills. Credit card collection agencies can be rude and persistent if you miss a credit card payment, but missing a mortgage or rent payment could leave you homeless. Figure out what other bills are most important to you.

Contact your creditors before they contact you. When you contact creditors, you need to work with a supervisor, accounts manager or "loss mitigation" specialist who have the ability to negotiate with you. When you call, this may mean getting busy signals or spending time on hold since many others in similar situations may be calling too. If the creditor is local, make an appointment to meet with them in person.

Make specific and realistic offers to creditors. It never hurts to ask for lower payments over a longer time period or payment on interest alone for a set time period. Be honest about what you can afford in your new spending plan and don't make promises you can't keep.

Follow up with a letter detailing the arrangements you agreed to with each creditor. Write down the terms of your agreement, including amount and due date, the name of the person you talked to, and the date. Keep a copy for your records.

Contact a credit counseling agency. If you need help working with creditors. Be aware that these agencies may charge a fee to help you. You can find a certified credit counseling agency in your area at www.debtadvice.org or 800-388-2227.

Once you have written your spending plan, try the following tips to make it work:

Involve the whole family. Help everyone become aware and live within the family spending plan. Try to involve your children by having them start saving *for something they want*.

Try to use credit wisely. If at all possible don't charge more than you can pay off in a month.

Develop a shopping plan. A change in income usually means a change in spending. Try buying less brand names and use coupons.

Avoid impulse buying. Ask yourself if this is something you really need?

Save on energy in your home. This will lower your utility bills.

Pay your bills on time. This will reduce stress and you can avoid late charges and a poor credit rating.

Resilience in Tough Times

What Experts Say: Resilient families have a network of people and organizations that can serve as lifelines during challenging times. This network provides practical assistance (information or services), emotional support, and connection to the larger community. Resilient families are able to recognize when they need help and make use of their network to get the help they need. (Walsh, F. 2006 *Strengthening Family Resilience*. New York: The Guilford Press)

In other words: Living in a society that places a high value on self-sufficiency can make it difficult to ask for help when we need it. In reality, the ability to ask for help is a strength and the inability to do so can lead to many negative consequences. As poet, John Donne (1572-1631) wrote “No man is an island.” We need others to thrive.

What you can do: Strong family relationships often provide the foundation for strong social support. Encourage family members to communicate their joys, needs, and sorrows and to express appreciation for each other. Want to build other social supports? You can start today by extending your friendship and support. Call a lonely neighbor or have coffee with a friend. Be willing to give as well as receive. In need of economic support? Learn about resources in your community by making a call to 2-1-1, which provides free, confidential community information, referrals and crisis line service 24 hours a day. Watch for community resource guides or postings in your local newspaper.



What Debts do I pay first?

You're legally obligated to pay all debt, but when you don't have enough money to cover your monthly expenses and pay your creditors the minimum amount due, you face some tough decisions. There is no magic list of the order in which debts should be paid since everyone's situation is different, but here are some general guidelines to consider:

- **Make sure your family will have shelter.** Keep up with your rent or mortgage. If the cost is too high, make some changes. Do you need a roommate? Do you need to move?
- **Basic living expenses.** This includes groceries and insurance. You may now qualify for public assistance such as FoodShare or WIC. Check it out at access.wisconsin.gov or call your local county human services office.
- **Pay the minimum to keep utility service.** Avoid being disconnected if at all possible.
- **Pay car loans if you need to keep your car.** If you need your car to get to work, make the car payment the next priority.
- **Make child support and tax debts a high priority and student loans a medium priority.** The government has collection rights that other creditors do not have.
- **Make loans without collateral a lower priority.** These include credit card debts and medical bills. Your creditor can still take legal action to get you to pay, but you don't risk losing your car or home because of late credit card bills.
- **Notify any creditors about your situation.** Let them know about your change in income to see if payments can be adjusted.

Source: <http://fyi.uwex.edu/toughtimes/>



TIPS:



Getting Organized

- Create a system to help you pay bills on time. Find one that works for your lifestyle.
- Have an “inbox” for your mail and papers. It can be as simple as a shoebox, plastic bin, or folder where you toss all the mail.
- Go through the inbox on a regular basis so you do not miss bills. Pull them out and put them where they will be seen and paid.
- Write on the envelope when they are due.
- Find a way to remind yourself to pay your bills. A calendar, cell phone or email notifications work for some families. Choose something you use everyday so you'll see the reminders!

Source: <http://fyi.uwex.edu/moneysmartheadstart/newsletters/>



This issue was written by Bev Doll, Family Living Agent, UW-Extension, Grant County. Edited by Jane Schaat, Family Living Agent, UW-Extension, Crawford County and Kathy Beeksma, Family Living Agent, UW-Extension, Ashland County. Reviewed by Peggy Olive, Family Financial Capability Outreach Specialist.

Common Ties is based on the earlier work of Edith Felts-Podoll, UW-Extension Adams County and Bernadette Mayek, UW-Extension Waupaca County

Formatting by Rebecca Butterworth, Ashland County UW-Extension

The National Extension website, www.extension.org/personal_finance, has excellent resources, including topics such as:
Stretching Your Food Dollars
Financial Security: Consumer Credit
Meeting Your Insurance Needs

Managing Between Jobs Series Publication

<http://learningstore.uwex.edu/Managing-Between-Jobs-C71.aspx>

Other Helpful Websites Include:

www.spendster.org
www.powertpay.org
fyi.uwex-edu/moneySMART/headersstart/newsletters
www.smartaboutmoney.org

UW-Extension Tough Times website:

<http://fyi.uwex.edu/toughtimes/>

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Other Resources: