How Not to be A BROKE SINGLE MOM

EMMA JOHNSON

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Chapter 1

INTRODUCTION

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HOW NOT TO BE A BROKE SINGLE MOM

This book is your roadmap to financial independence. The nuts and bolts of money for you, an unmarried mom.

There are different personal finance rules for single and married moms. Different ways of filing for taxes, budgeting, home buying and planning for the future. A way about thinking about money – and therefore your life – than a married mother, or single woman might.

I know you need this book. I know, because every single day I get emails and Facebook messages from single moms who are so overwhelmed, so stressed out and freaked out about making ends meet. I understand, because I was just like you. I figured it out, and you will, too.

While you may be loosing it right now, do what I do when I am really scared, really, really terrified that things will go horribly wrong.

Say to yourself: *Stupider people have done this. I can, too.*

Repeat: Stupider people have done this. I can, too.

And you will. I believe in you.

XO,

Emma

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Chapter 2

BUDGET FOR THE LIFE YOU HAVE NOW

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BUDGET FOR THE LIFE YOU HAVE NOW

If you are having a hard time making ends meet – much less planning for the future, the very first thing you must do is get a grip on your monthly spending. As you will see in the next chapter, your real focus must be on EARNING more. After all, when it comes to income, the sky is the limit! But there is a limit to how many coupons you can clip, how much you can down grade your car or be thrifty in back-to-school shopping.

That said, I often find that single moms can overlook some changes to their lifestyles and spending that keep them stuck in a perpetual cycle of debt, frustration, and chasing discounts and tiny raises that don't make a difference in their lifestyles.

Before we get into the nuts and bolts of budgeting, there are some seismic shifts you probably need to make in your thinking. If you are facing single motherhood after a divorce, you are likely facing a temporary downgrade in your lifestyle. The reality is that in nearly all cases – including very affluent couples – everyone is poorer after divorce. There is simply less money to go around – even if both ex-spouses work, they now must maintain two homes instead of one. It might also mean that there is less help with the kids around the house, requiring more babysitters or after-school care. No matter what, you are poorer today than you were when you were married. The sooner you accept that, the sooner you will be on your way to being richer than you were when you were married.

If you are not divorced, you likely need to make some emotional shifts before you can clean up your finances. Do you find yourself trying to maintain a lifestyle you enjoyed before you had kids? Or spending to keep up with your wealthier friends? Do you overspend on your children to make up for the fact their dad isn't involved, or to compensate for your sense you don't enough time with them? Or do you "treat" yourself because you feel, as a single mom, you deserve a manicure, or new handbag, or girls night out?

I don't doubt you can use all those things. I want you to have all those things – and more!

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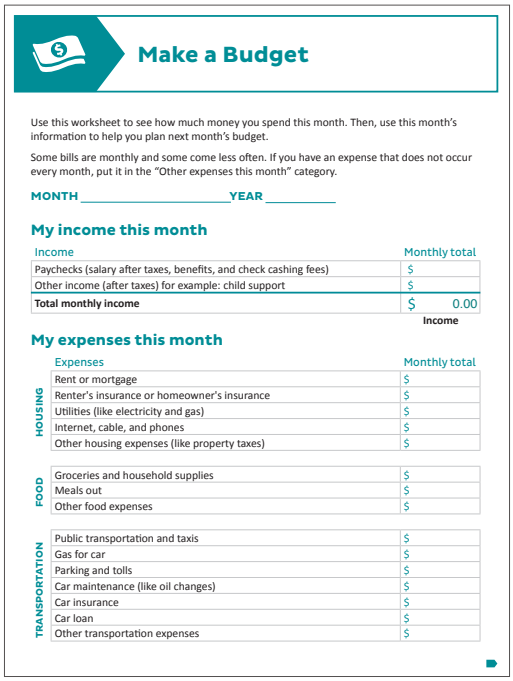
But you're not there yet. We will talk about the critical nature of dreaming big and shooting high. But you can't thrive professionally and financially if spend all your energy worrying about making rent. You need to stabilize first.

And this is where a budget comes in.

The very first thing you must do is sign up for **Mint.com**. This is a totally free online tool and I have been using it for about 7 years. I love it. Plug in all of your financial information, and get a clear, honest snapshot of your money: Bank and savings accounts, credit cards, mortgage, car loans, student loans. Those numbers don't like.

Now, get real with yourself and calculate how much you spend each month. You may "estimate" you spend $100 monthly on take-out. But Mint might tell you a different number. That is the real number. This is about getting real.

You can use Mint's category feature, which allows you to group expenses into different categories (utilities, clothing, auto, etc.). Alternatively, go through your credit card and bank statements, and tally the damage. **This interactive worksheet does the trick, too.**



Make a Budget

Use this worksheet to see how much money you spend this month. Then, use this month's information to help you plan next month's budget.

Some bills are monthly and some come less often. If you have an expense that does not occur every month, put it in the "Other expenses this month" category.

MONTH _____ **YEAR** _____

My income this month

Income	Monthly total
Paychecks (salary after taxes, benefits, and check cashing fees)	$
Other income (after taxes) for example: child support	$
Total monthly income	$ 0.00

Income

My expenses this month

	Expenses	Monthly total
HOUSING	Rent or mortgage	$
	Renter's insurance or homeowner's insurance	$
	Utilities (like electricity and gas)	$
	Internet, cable, and phones	$
	Other housing expenses (like property taxes)	$
FOOD	Groceries and household supplies	$
	Meals out	$
	Other food expenses	$
TRANSPORTATION	Public transportation and taxis	$
	Gas for car	$
	Parking and tolls	$
	Car maintenance (like oil changes)	$
	Car insurance	$
	Car loan	$
	Other transportation expenses	$

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To download the worksheet, click on the link above. Then, depending on your browser, right click the PDF and select Save As... to download to your computer. Or go to File > Save As... to save to your computer.

Now that you see where your money is going, it is time to get brutal. Typically, the biggest places where women can make important savings is in home and car payments, which we will get to later in this book. In the meantime, you can save hundreds of dollars in cutting back on smaller line-items. Start with these:

Cable TV

I know, you love it. The kids love it. But this is serious business, and the whole family must get on board to make important changes. And it doesn't have to be forever.

Gym membership

I really hope you're getting exercise and taking care of your body. But if you haven't been to the gym in more than two months, you must cancel that membership. Get real.

Subscriptions

Go through all the subscription and auto-renewal services on your bill. Upon close inspection I realized I was paying for two monthly Netflix subscriptions. At $7.99 per month, that was costing me nearly $100 per year. Sneaky! You may pay for membership to professional organizations that you're no longer interested in, or access to publications or online services you don't use. Cancel, cancel, cancel.

Phone

If you have a landline and a cell phone, cancel the landline. Then call your phone carrier and ask them to analyze your usage and suggest a more affordable plan. I did this and saved $20 per month, effective immediately.

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Power bill

Get serious about using less electricity:

- Set the thermostat at a few degrees cooler in winter
- Raise the AC a few degrees warmer in the summer
- Keep blinds closed in the summer and unplug electronics when not in use

Food

It can be very tempting for a busy working single mom to splurge on restaurant food and prepared meals. Use these as special treats, or when a discounts makes them a great deal. To save time and money:

- Focus on cooking in bulk. I like to make a giant pot of stew, roast or pasta sauce – eat a third that night, freeze a third, and eat the rest for lunches and dinner leftovers.
- Avoid purchased lunches, and instead pack sandwiches and leftovers.
- Remember: generic products and those bought in bulk tend to save you big bucks.

Insurance

- Call your auto insurer and ask about lowering your rate.
- Ask about bundling your car, life and homeowners policies for a discount.
- Don't carry more than your state minimum, and note if you drive fewer than 10,000 miles per year, which could mean savings.
- Research other car insurance policies. **TheZebra.com** is a good place to start.
- For health insurance, if your family is generally healthy, downgrade to the least expensive policy. Your co-pays and deductibles may be higher, but you will save overall on this expense. **eHealthInsurance.com** is where I go to comparison shop for health insurance.

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Holidays and birthdays

Christmas, Passover, birthdays, Valentine's Day … these special days can be especially stressful for single moms (they are for me). Co-parenting arrangements tend to implode during these events, and special times can feel especially empty without another parent to share them. The financial stress can make them anxiety-ridden for everyone involved. It's no wonder that overspending plagues the holidays, and single moms are especially vulnerable. To tackle this financial landmine:

- Set a budget in August for the holidays.
- Stick to it.
- Establish on Jan. 1 a budget for each family member's birthday celebration and gift.
- Stick to it.
- Get the whole family on board. Tell the kids: "We are on a family mission to stay on a budget and get wealthy! Everyone has to participate, and that includes really thinking about what we buy and give to one another."
- Focus on activities instead of things. Instead of toys, make part of the Christmas gift a family trip to the waterpark or a favorite museum.

Stop shopping

Sure kids grow out of clothes all the time, and you may find that your thighs have rubbed holes through all your jeans (true story, happened to me). But many women believe that shopping is a legitimate hobby. If you are independently wealthy maybe. Otherwise, Do.Not. Shop.

Want something new to wear? Dig into your closet and drawers. Swap with a friend. Mix up tops and bottoms that you otherwise never pair. Do not buy new clothes. Just don't. Not until you can afford it.

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On budgets and money from your ex (or parents or government assistance). I understand that morally and legally you very well be entitled to this money. But as I will elaborate on in the next section, focusing on this income, building a budget and life around another person is a very unstable proposition from a risk standpoint, and it is limiting in terms of personal and professional growth.

THE TAKEAWAY

As you develop, work within, and continuously revise your budget, it is critical you phase out reliance on child support and alimony. Even if those funds are deposited into your account each month, gradually remove them from yoru core expenses. Maybe that money goes into a college fund for the kids, or an emergency savings account. It is money that is nice, but not nececssesary. Because it can go away at any time. And you can earn way, way more than any judge can demand you are given.

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Chapter 3

INCOME

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INCOME

Now that you have created a solid budget, and a way to live comfortably within it, your next step is the most important: Earn more money. Notice I said *earn*. I didn't say, "get" more money – not from your ex, or the government, your parents or a social services agency. I want you to earn more money. More money than you are making now. More money than you ever have in your life. More money than you can imagine.

Here's the thing with taking money from other people. Even if you are legally entitled to child support or government assistance, that does not mean it is good for you. I got child support for about a year after my divorce, and trust me – I will never judge you for taking those checks and depositing them into your bank account without guilt. But relying on those checks is another thing.

No matter your circumstances, when you rely on another person or agency for your existence, you limit yourself.

After all, your ex could lose his job, die or become disabled any day. Assistance can dry up at any moment. You cannot control other people. You can control your own career and income. When you do take full responsibility for your family's finances, become truly financially independent of anyone else, magical things happen. You start earning more. Your confidence soars. Your dreams become bigger. **Remember: You are what you spend energy on.** If you spend all your energy on your next family court date where you hope to get $200 more monthly from your ex, the most you can gain is $200 per month. Let go of that, and all the sudden you have the energy to focus on earning $200 more per day. Or maybe $200,000 more per year. Why stop there?

While you get on your feet after a divorce, or having a new baby, you may very well rely on outside income.

So how do you start to earn more money?

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There are zillions of books written on this topic, but here are my top-line elements of critical advice.

1. Focus on how much money per hour you can make.

Not all $20,000 raises are alike. For every career move, consider these factors:

- Income
- Benefits
- Hours you have to work for that income
- Flexibility. Can you schedule those hours around your family and personal life? Or do you have to clock in and out of the position every day?
- Commute.
- Opportunity. Will this position open doors to bigger things?
- Joy factor. Does this job leave you exhausted, miserable and bitter at the end of the day? Or are you joyful, proud and energetic when you return home? Are you setting a positive example about career and work for you kids by spending your hours there?

2. Be really careful about investing in education.

Thanks to technology and globalization, the work world has changed dramatically in the past 20 years. Once upon a time, higher deters and a formal education automatically equaled success. That is no longer automatically true. A bachelor's degree is often hardly more valuable than a high school diploma, while technical degree, or one earned at a community college, can lead to a lucrative career.

Just this week I heard from a mom who struggled to put herself through college to earn an accounting degree, only to find herself visiting food pantries, and now pursuing an MBA. However, there are lots of articles out there that show that an MBA is usually not a great

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investment. So, do your research before you enroll in college or a graduate program. Here are a few articles about hiring trends and education:

- **The college degrees and skills employers most want in 2015** (Yahoo! Finance)
- **Which College—and Which Major—Will Make You Richest?** (TheAtlantic)
- **Best Graduate Degrees for Jobs (and stress and satisfaction)** (Fortune)
- **10 High-Paying Jobs that Don't Require a Degree** (BBVA, by Emma Johnson)

3. Flexibility is the new wealth.

While a flexible work schedule is just one item on the above list, it is arguable the most important. You're a mom, after all! You are not just about your career. You need to spend time with your children. You need exercise, plenty of sleep, a romantic life. You have friends, a spiritual practice and hobbies. When a boss mandates you spend fixed hours at an office, or you feel pressured to work relentless hours, you lose control of your time and balance for your life. You lose control.

So how do you find jobs like this?

- **Start with your boss.** Do you like your current job, but wish it were more flexible? Approach your boss with ideas for ways an alterative work arrangement would benefit both of you. More advice at: **How moms can negotiate flexible work options at their current job**
- **If you're looking for a new gig,** check out **FlexJobs**. Started by a mom looking for flexible work, this wesome site is the go-to source for finding work-at-home, telecommute, part-time, and other flexible work jobs, including many, many professional, high-paying positions. I can't recommend it enough.
- **Check out this list: 100 top companies with Remote Jobs in 2015**

But the reality is that the best jobs (and statistically, the people who are happiest with their careers) are those who work for themselves. This might mean starting a freelance

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or consulting job on the side while you work at a staff position. Or you simply hang your shingle and make your own business work.

- FlexJob founder and CEO Sara Sutton Fell shares here advice for this process with: **Expert secrets to finding a professional work-from-home job**
- From Entrepreneur magazine: **How to Start a Consulting Business**
- And I share my own career path story here: **How I became a work-at-home writer and blogger, and you can too**

4. Focus on hourly rate.

There may come a time later in your career when you build a scalable business where you want to look at margins more than hourly rate. But for now, while you are stabilizing your finances, you must look at your hourly rate above your annual take-home salary.

Go back to that list of considerations for each job. As I wrote, all salaries are not the same. Let's break this down. In these scenarios, our single mom of two, Jenny, is considering two marketing positions:

- **Job 1:** $60,000 per year, 50 hour per week in the office, a 45-minute commute each way.
- **Job 2:** $60,000 per year, work from home three days per week, with a 30-minute commute each way. Office culture: Just get the job done.

Now, you know and I know that you can get work done a whole lot faster than what most bosses expect. You also know that face time in the office does not equal productivity. Further, office politics, chit-chat and useless meetings drags out a work-day, without adding anything but grief. So for the second job, I will say that this position will likely only take Jenny 35 hours per week.

Let's do the math on these two positions.

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At 50 hours per week, **Job 1 would earn $24 per hour** ($60,000 ÷ 50 hours x 50 weeks per year [assuming 2 weeks vacation]). Now add in 45-minute daily96 commute, or 375 hours per year, Job 1 earns just $20.87 per hour.

For **Job 2**, the equation is $60,000 ÷ 35 hours x 48 weeks [4 weeks vacation] + 96 hours commuting annually. This position actually pays Jenny **$33.76 per hour**.

See how different two jobs with the same take-home pay are—**a full 62% difference!**

"But, Emma, so what? I need more money!" you say. OK, I get that. But here's the thing – when you have time, and you have flexibility, you can do anything. With those newfound hours, you can build a side business that might grow into fulltime self-employment. You can go back to school or earn additional certification that can earn you more money. You might take freelance projects that typically may a much higher per-hour rate than staff work.

THE BOTTOM LINE

When you have control of your time, you have power. Then, the sky's the limit.

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Chapter 4

CREDIT SCORES & SINGLE MOMS

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CREDIT SCORES & SINGLE MOMS

Credit scores are one of the most critical finances pieces of recovering financially from a divorce. Credit scores are also one of the most overlooked pieces of post-divorce, according to m friend Gerri Detweiler, director of consumer education for Credit.com, and author of the free ebook **Debt Collection Answers: How to Use Debt Collection Laws to Protect Your Rights** for tips on navigating this important reality of life. Check it out – Gerri is one of the leading credit experts in the United States. And her book is free!

I interviewed Gerri about what divorcing women should remember when it comes to their credit scores:

How big of a problem are credit scores for people facing divorce?

Your credit scores can take a big hit when you divorce, usually for one of three reasons: One, your income may drop and/or your expenses may increase since you are no longer splitting them with a spouse. This may mean it's harder to keep up with bills. The second is that most couples have at least one joint account when they split. If the debt isn't paid off right away it will usually end up being the responsibility of one spouse, and if he or she doesn't pay it both credit reports (and by extension credit scores) will suffer. The third problem is identity theft. It's surprisingly common for an ex to "borrow" the other person's information in order to get new credit, utility services, etc.

Why is divorce so often cited as a reason for bankruptcy?

Again, after divorce, many people find their finances stretched. Some have to pay alimony, others find they're paying for new expenses such as child care, and most will find their expenses increased because they're no longer splitting bills with their now-ex.

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Some people are pushed into bankruptcy by their former spouse. Let's say they owned a house together but they either don't want to sell it (because they want the children to keep living there) or they can't sell it because it's upside down. One of them agrees to pay the mortgage; it might be the spouse who lives there, or it might be the ex who is supporting him or her. But the mortgage doesn't get paid. Maybe that spouse eventually files for bankruptcy, and the other one ends up having to file in order to keep the house and catch up on payments, or to discharge their responsibility for the remaining loan.

Why is so important to make your credit score priority if you're going to divorce?

Divorce is usually very stressful, and even if you are glad to be splitting up, there are a lot of details they have to be taken care of. This means that it's easy for bills to slip through the cracks. One late payment can cause an otherwise excellent credit score to drop by 50, 75 points or more. So it is important to try to make sure that bills are paid on time.

In addition, after divorce you will often need good credit to rent or buy a new place to live or get utility services without a deposit. You may decide to hunt for a better paying job or start a small business, both of which may involve credit checks. And let's face it: if your credit does take a nosedive, it's not going to be fun having the reminder of that time in your life coming back to haunt you haunt you several years later when you're filling out applications for credit.

What should everyone – regardless of credit history – do when it comes to their credit when facing divorce?

Get your credit reports so you know exactly what bills appear there and so that you understand your responsibility for them. If you are an authorize user, you're typically are responsible for the balance but you may want to get removed from the account if you are worried about whether your ex will pay it on time. For any joint accounts, they should be closed from future purchases and balances should be paid off as soon as possible. Keep in

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mind that you are legally responsible to repay the joint debt until it's paid off. Your divorce decree doesn't change that.

If your ex is abusive or vindictive you may want to place a fraud alert on your credit report, or even freeze your credit so that no one can access your credit report information without a PIN you provide.

If you are facing divorce and have lousy credit what can you do to rebuild it?

The good news is that when it comes to your credit, you can always get a fresh start. While you may not be able to change the past, going forward if you are meticulous about paying your bills on time you can see significant improvement in your credit scores. Recent information tends to have the greatest impact, so make sure that you have open active accounts that are paid on time. If you don't already have one, get a credit card in your own name, even if it's a secured card.

Of course, you can't picture credit if you don't know where you stand so get your credit scores to monitor your progress. (You can get a free credit score and analysis of your credit, along with an action plan at **Credit.com**.)

In the short-term, if you have no or poor credit, what are the best ways to get a loan or cash to finance a needed car, a family lawyer or even daily expenses, which is common for people in the middle of a split?

What types of financing you'll get will depend in large part on how good or bad your current scores are. If you don't have a lot of credit, it may be easier to get a loan then if you have a lot of debt or very poor payment history. Some consumers find they are able to get a personal loan; others may turn to credit cards, even if they have a fairly high interest rate. Watch your mail; if you get an offer for a low rate balance transfer, you may want to take advantage of it. Another option that doesn't require a credit check is a loan against a retirement account such as a 401(k). It is not ideal by any means, but it's usually better than cashing in a retirement account early and paying taxes and penalties. Finally, you may be

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able to get a loan from family members or friends. These loans don't appear in your credit reports, so that may be an advantage. But it's best to put details in writing so everyone's clear on how and when this loan will be repaid.

What if you start hearing from debt collectors about debts your ex didn't pay?

If the collector is trying to collect from you, you have the right to ask them to put it in writing and I recommend you do so. Once they do, if you don't believe you owe the debt, or you don't believe it's correct, you have the right to request they verify the debt. Put your request in writing.

If the collector calls about a debt your ex owes, you don't have to discuss it with them if you don't want to. You can explain that you can't be of help and asked them not to call you again. That generally should stop those phone calls. If it doesn't, you can file a complaint with the Consumer Protection Finance Bureau.

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Chapter 5

A HOME YOU CAN AFFORD = A HOME YOU LOVE

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A HOME YOU CAN AFFORD = A HOME YOU LOVE

Where you live is so important. It is where you spend your time. It can be part of your identity, and can make a difference in who you spend time with (neighbors, family and friends if they are close by or not) and where your kids go to school. It is also central to your personal finances. Ahome you cannot afford is the quickest route to bankruptcy.

I understand why so many women overspend on their house. Your address can be part of your identity. It is your surroundings, and influences how you feel each morning when you look around your kitchen. A home, after all, often represents family and memories. All of these things must be considered when you are budgeting for your next address.

Time for tough love.

If you cannot financially make payments on where you live, you cannot live there. End of story. I understand how heartbreaking it may be to leave a place you adore, or think about moving your kids in the face of a divorce. You know what else is hard? Having a stressed out, broke mom. Foreclosure and bankruptcy are hard, too. Sadly, both those things are all too common for women without partners. If your kids see you making some hard decisions now for the best of the family long-term, that sets a great, positive example. When you are at peace with your money and your life, you are a better mom.

Whether you buy or rent, move or stay put, there are both financial and emotional factors at play. But if at the end of the month you feel comfortable you can afford your home, then you win. If your home stresses you out –because the rent is killing you, or it has too many memories of your ex, or the commute means your life is hell – it is time to change. Before you get into the checklist, a few notes:

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Rent vs Buy

Home ownership is awesome, and despite some recent blips in the economy, in general people who buy and hold on to real estate for the long term find it is a solid investment. But it is not for everyone, and it may not be right for you at this time.

Sometimes, when you're starting life anew, or need a lifestyle that is easy, affordable and low-stress, renting is the way to go. After all, staying on top of cleaning gutters, snow shoveling, roof maintenance repairs and boiler replacement can be enormous time and money sucks. At some points in life, the best decision is to rent a house or apartment where someone else takes care of these tasks – and where there are no surprise costs.

This rent vs. buy **calculator** will do the math about the financial part of this equation. Start **here**. When deciding where your next home should be – including whether to stay put in your current digs – factor in the following:

Mortgage and taxes

If you're considering buying a house, or keeping your current home, there are taxes to pay, and taxes to deduct. When you finance a home, you can deduct mortgage interest and property taxes, which lowers your monthly tax bill, and therefore the true cost of home ownership. Same with any property taxes paid. This **calculator** will estimate this equation. Personal anecdote: My mortgage and co-op maintenance (which includes taxes) is about $2,500 each month, but my net on these figures is $2,000.

Do the math (but not just the math). What you pay out each month to the landlord or bank is not the whole picture. Also consider some less quantifiable factors in deciding where you hang your hat.

Use my Mortgage & Taxes interactive worksheet.

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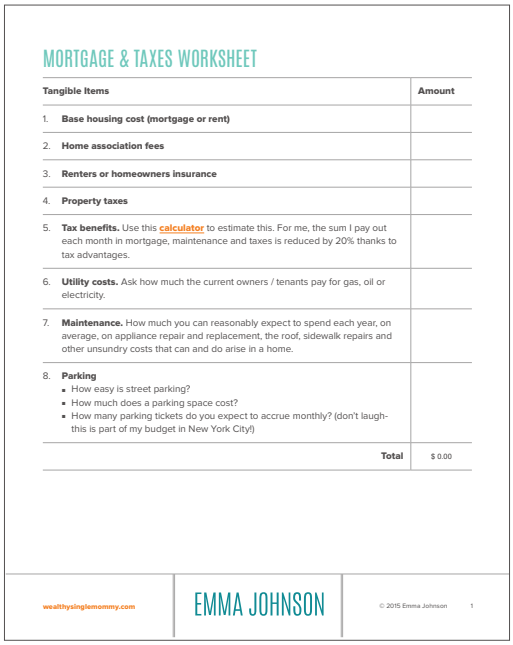

MORTGAGE & TAXES WORKSHEET

Tangible Items	Amount
1. **Base housing cost (mortgage or rent)**	
2. **Home association fees**	
3. **Renters or homeowners insurance**	
4. **Property taxes**	
5. **Tax benefits.** Use this calculator to estimate this. For me, the sum I pay out each month in mortgage, maintenance and taxes is reduced by 20% thanks to tax advantages.	
6. **Utility costs.** Ask how much the current owners / tenants pay for gas, oil or electricity.	
7. **Maintenance.** How much you can reasonably expect to spend each year, on average, on appliance repair and replacement, the roof, sidewalk repairs and other unsundry costs that can and do arise in a home.	
8. **Parking** ▪ How easy is street parking? ▪ How much does a parking space cost? ▪ How many parking tickets do you expect to accrue monthly? (don't laugh- this is part of my budget in New York City!)	
Total	$ 0.00

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To download the worksheet, click on the link above. Then, depending on your browser, right click the PDF and select Save As... to download to your computer. Or go to File > Save As... to save to your computer.

KEEP IN MIND

This equation is fluid. Costs and equations change as time goes on and your situation changes. What you need out of a location will vary as you move through life. Consider that depending on how old your kids are, you may not need to factor in school districts in a few years – and will be free to relocate to a smaller home where taxes are lower. Staying close to family may be important now, but who knows when those loved ones may move themselves. And if you are going through a divorce now, you may be paralyzed by the thought of leaving the family home. But as you process the split, how you view your real estate will change – and you may feel an urge to start anew in a different house.

Chapter 6

A RIDE YOU CAN AFFORD

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A RIDE YOU CAN AFFORD

What you drive can feel just as personal as the home you live in. But a vehicle should not under any circumstances be an emotional decision. This is a purely numbers decision that must be made with as much common sense as possible.

Why? Because a home, in general, will appreciate in value. It has implications for your taxes, future personal finance, your kids' educational opportunities, and your own social support.

A car's value will only decline, and in general, will be a money pit. A necessary one for most moms, but a lousy, filthy money sinkhole. I understand that it feels a lot better to drive a Benz than a Buick, but this is not the time to be messing around with the value of treating yourself. A car is a practical matter. Period.

The first step is to decide if a new or used car is right for you. Check this **New vs Used Car Calculator** from Bankrate to get started. Then consider:

- Do you have a down-payment or decent trade-in vehicle for a new car?
- Do you have the money to maintain an older car?
- Do you have the time to deal with repairs and unreliability for a used car?

Can you afford the depreciation hit that comes with a brand-new car? This means that on average, a new vehicle loses 20 percent when you drive it off the lot. Can you afford that in the event you have to sell the car in a pinch?

If you opt for a reliable and affordable used car, check out this for finding one in your budget (but make sure you stick to the low-end lists!) **Best Used Cars** (U.S. News).

If you decide to go used, check out this **Used Car Buying Guide** I wrote, with insider tips from Edmunds on buying the best previously-owned ride.

Guide to Selling Your Old Car Tips for getting rid of your old ride for the best price

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A few resources to help you figure out which car you should buy:

- **Top 10 Least Expensive Mid-Sized Sedans** (Edmunds)
- **Most Affordable Small Cars** (U.S. News)

Notice I didn't include any lists for large cars or luxury cars or SUVs or even minivans. Tough love: You don't need a big or fancy car. You need a ride – and as affordable as you can find.

When shopping for a car, I recommend **TrueCar.com**, which will help you understand what you should pay for a car. This is especially great if you feel unsure about your decision, or are intimidated to negotiate the price. (I can help you with this another time. Right now we need to get you into an affordable car.)

When you find what you are looking for, whether at a major dealer, local used-car lot, or an individual listed on Craigslist, you can take the TrueCar estimate to them, and they will likely respect those numbers. Everyone wins.

REMEMBER

This ebook is designed to help single moms get on their feet and create a roadmap for building their futures. If a new Lexus GS is part of your dream future, and you can afford it easily – knock yourself out!! And write me when you do.

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Chapter 7

HOW TO GET OUT OF DEBT—FOR GOOD!

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HOW TO GET OUT OF DEBT – FOR GOOD!

If you live with debt, you are not alone. According to U.S. Federal Reserve data U.S. households have on average $15,863 in credit card debt and $33,090 in student loans, while the Consumer Financial Protection Bureau reports that a full 52 percent of credit bureau filings are for medical debt.

On one hand, if you find yourself drowning in debt, rest assured you are not alone. But don't use this fact as an excuse not to work like crazy to pay off your debt. If you live month to month owing others money, then the money you earn is not really yours. You are enslaved to your debt. Scraping by to may loan payments prevents many families from ever building wealth. That is a stressful, exhausting way to live. I know – there have been times in my life when I had as much as $10,000 in credit card debt, and I left college with $20,000 in loans (in 1998 -- $29,300 in today's dollars).

The upside to the personal debt crisis is that there are tried and true methods for getting rid of it – and plenty of analog and tech resources to help. Here is my step-by-step guide to getting out of debt, once and for all.

1. Get real with yourself.

Collect statements for each and every one of your debts: credit cards, medical bills, student loans, car note, mortgage, home equity line, personal loans from your parents or cousin. Lay these out on the kitchen table. In paper. So you can feel them in your hands and look the in the eye.

2. Get your free credit report.

Get your free **Credit.com credit report** to double-check the accuracy of your debts, including notes of missed payments and credit limits. Get your credit score – that three-digit number that is your ticket to good financial times – through **Credit.com here**. Check your student loan information at the **National Student Loan Data System**.

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3. Create a list of all your debt.

Include interest rates, monthly minimum payments and any deadlines. Mint.com's monthly goals feature is a good place to start, though I recommend ReadyforZero, a free app and website that connects to all your debt accounts, and helps you create and execute a pay-off plan. It even alerts you when you reach goals. Horay! Other good debt repayment apps include Debt Payoff Assist, and Debt Control Free.

4. Research lower rates.

Depending on your credit score, you may qualify for credit cards with lower rates.

- Call your current credit card and ask if they will lower your rate based on a good repayment history and solid credit score. Bankrate.com and Credit.com are also great places to search
- Call the holder of any outstanding medical bills and negotiate. This article from About.com offers **great tips for negotiating medical bills**.
- Research student loan consolidation through **StudentLoans.gov**. Also, private banks are starting to offer student debt consolidation and refinancing. Here is a list of five from **StudentLoanHero**.

5. Decide: Debt Avalanche or DebtSnowball?

These terms are lingo for the two main methods for paying off debt.

- **Debt Snowball:** Pay off credit cards or loans with the lowest balances first. The advantage is that you get the psychological and emotional thrill of paying off accounts quickly.
- **Debt Avalanche:** Pay off accounts with the highest interest rates first. The big perk of this method is that you save more money by depleting high-interest debt sooner.

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ReadyforZero's article about why you should go for the avalanche effect (it saves you in interest payments) while giving credit to the emotional boost that comes with snowballing it. Worth a read!

6. Get professional advice.

If you're totally overwhelmed with this process, or truly believe that you cannot dig out of debt alone, get professional advice. A credit counselor will help you create a debt repayment plan, which may include debt consolidation – in which case the credit counseling agency will consolidate all of your debt into a single payment that is at a lower interest rate than all of your debt combined. Two places to start your search for a reputable credit counselor:

- **National Foundation for Credit Counseling**
- **Association of Independent Consumer Credit Counseling Agencies**

7. Set up automatic payments.

If you are going the DIY repayment route (and not using a counseling agency), set all the payments on autopilot.

8. Use tricks to pay down debt even faster.

These include:

- Paying tax refunds towards your debt.
- Allocating any job raises towards the principal.
- Sell off unused furniture, clothes, electronics, books or household items and put all proceeds towards debt.
- Start a side hustle – take on work as a virtual assistant, babysitting, freelance gigs in your industry – and commit that income to debt.

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9. Celebrate!

You did it! You paid off that effing debt! **YOU ARE DEBT FREE!**

10. Don't think you're too cute.

Now is not the time to go shopping! Now is the time to focus on saving and other financial goals.

11. Keep monitoring your credit score.

Mint.com automatically updates for free your credit score – and displays in proximately in the app. Or, use **Credit.com's** free score monitoring service, which updates monthly.

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Chapter 8

8 THINGS SINGLE MOMS MUST KNOW ABOUT TAXES

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8 THINGS SINGLE MOMS MUST KNOW ABOUT TAXES

Unmarried moms face a unique set of concerns in life, and that includes taxes! Before filing, consider these federal tax rules:

1. Head of household status

If you earn at least 50 percent of your household income and your kids live with you for 6 months of the year or more total, file as head of household. This usually affords you a lower tax rate and higher deductions.

2. Figure out who you can claim as a dependent

This determines whither you can take any number of other credits and deductions. This is usually stipulated in a separation or divorce agreement, and the parent who would normally claim the child can agree to sign a waiver allowing a non-custodial parent to make the claim. You cannot split this deduction for a single child, but some parents agree to take turns claiming children on alternate years. Or ,if there are two or more children, agreeing that each parent can claim one of the kids. However, the IRS determines that a child is a dependent based on if the child lived with a parent for at least six months and was financially supported for the same time.

3. Exemptions

For every dependent kid, you can deduct $3,950 for tax year 2014. This phases out for heads of household earning $279,650 or more.

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4. Tax credits

Single parents earning $75,000 adjusted gross income or less can take $1,000 off their tax bill for each dependent kid who was aged 16 and younger on Dec. 31.

5. Child care

Heads of household who have an income or are full-time students can claim u p to $3,000 for one kid or $6,000 for two or more children for qualifying child care. This includes summer day camps and after-school programs. Phase-out starts at $75,000 for single head of household filers.

6. Dependent care spending accounts.

If this tax-sheltering benefit is available through your employer or business, single heads of household can contribute up to $5,000 tax-free to pay for childcare expenses for dependent children.

7. Earned Income Tax Credit

f you have three or more kids and earned less than $46,997 as a single parent, take this credit. If you have one or two children you may also qualify if your income is lower. The maximum credit is $6,143.

8. Adoption costs

If you adopted a child and the process was finalized in 2014, you are eligible for up to $13,190 per child in federal tax credits.

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Chapter 9

BEGINNING INVESTING FOR SINGLE MOMS

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BEGINNING INVESTING FOR SINGLE MOMS

OK, Lady. You have your budget under control. You're on your way to earning more money (lots and lots more money!), and you're on a path to paying off that debt already. Now is time to look to the future. Saving and investing must be a part of every financially secure family.

Many moms I hear from avoid investing. Here are some emails I've received in the past few months:

"I know I should be saving and investing, but I can hardly make ends meet for basic necessities, much less safe for the future."

"My job offers me a 401(k) match, but I can't afford to participate."

"I keep hearing that I should invest, but I don't know anything about stocks or the markets, and I'm too embarrassed to ask for help."

I have said the same things to myself many times. Stocks and funds and markets ARE confusing (even for me, a professional financial writer). I have felt very torn between taking care of bills and expenses TODAY, and putting aside funds for the future.

Here is the exciting thing about investing. Even a little bit of money invested today can mean a whole lot of money in the future. Here is a great example:

If you invest $100 per month in a fund that yeilds an average of 6% monthly. After 30 years you will have more than $100,000. If you keep saving $100 per month for another 10 years, you will have $200,000 at the end.

Pretty sweet, right?

But how do you get started?

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First, a few things *not* to do:

1. **Don't ignore you're employer's match program.** In fact, if that is available, start there. Your job is offering you free money. If you're not taking advantage of that, you are throwing cash in the toilet. Don't do that! Plus, any money you put into a 401(k) plan is tax-deductible. That means you don't pay taxes on the money you invest in a 401(k). That is awesome. Don't miss that opportunity!

2. **Don't keep money under the mattress** (or in the sugar jar, or in a tampon box in the freezer). If it is not invested in the market, it is not earning any interest, and a typical savings account in the bank has a interest rate that is so low it basically doesn't count. Focus on diversified funds (more explanation to follow).

3. **Don't try to manage your investments.** Take the steps below, automate payments, and check just once per year.

4. **Don't try to pick stocks.** Wall Street employs quantum mathematician PhDs for many hundreds of thousands of dollars per year to pick stocks, and no one has come up with a definitive way to do this. Don't try it yourself.

5. **Don't get intimidated.** Investments are indeed complicated. Ask questions. Get advice. Seek help. Your and your family's future is at stake here.

Now that you see how important investing is, where do you start? I googled "how to start investing" and got more than 36 million results. None on the first few pages offered links that are clear, easy ways to start investing for people without a lot of money. That is why I wrote this book.

Here is what you do:

1. **Open a brokerage account.** Examples include Fidelity, Vanguard and Wells Fargo. **NerdWallet has a great online tool** to help you find a brokerage. They are all pretty much the same – but read the fine print! I have an account at Fidelity (which started with an employer 15 years ago). Fidelity requires a $2,500 minimum investment and charges

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$7.95 every time you make a trade. Vanguard require a $1,000 minimum investment and charges $7 per trade.

2. **Decide if you want to go with a 401(k) or a Roth IRA.** In a nutshell, the main difference is:

   - **A 401(k)** is tax deductible now, so anything you invest in this type of account can be written off your taxes this year. In other words, this lower's this year's taxes. But when you retire, you have to pay taxes on any money you withdraw from

   - **A Roth IRA** is tax deferred. In other words, you can't deduct this from your taxes now, but you also won't ever have to pay taxes on any earnings from a Roth IRA.

I have both kinds of investments, and eventually I hope you do, too. If you don't have any investments, but have the option to choose between the two, don't over-think this. Pick the one that sounds best and go with it. If you don't have a 401(k) through your employer, go with the IRA since you can't usually open a 401(k) on your own.

3. **Pick a low-load target-date mutual fund.** Funds are a group of stocks, bonds and other kinds of investment vehicles. There are literally tens of thousands of funds. There are funds that focus on social causes, like wind energy or companies led by women, sector funds that only contain stocks from a certain industry, like pharmaceuticals or automobile manufacturing. Other funds are built to serve a certain type of investors – such as their age and a likely retirement date, how risky the investments are. There are equity funds that only have stocks (the riskiest type of investment) and money market funds, which are very low risk, and essentially savings accounts.

This is all really complicated. If you find you are interested and want to learn more, the sky is the limit! You can spend the rest of your life researching, learning and testing different investments. Have fun, and you go girl!

But if you are like most people, you don't care. You just want to build wealth and start investing already. In this case, go with a **low-fee target-date mutual fund**. What does that mean? Let me break this down:

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Low-fee: This means that you pay low or no fees to buy or sell shares of the fund, as well as fees to maintain your account. Especially if your investments are modest – say, less that $1,000 each time you invest – you don't want to be paying fees to the broker, which can cost 5% every time you buy a fund. That means that if you invest $100 each month, only $95 of that is actually being invested – the rest goes to the broker, even if the broker is an automated website. No load funds come right from the mutual fund company – no brokers involved. Often, these funds require initial investments of $2,500 or more. This can be a great deal if you have that initial investment. If not, "low fee" is also a great deal.

Mutual fund: Mutual funds mean there are lots of different types of investments – typically a mix of stocks, bonds and even some cash. Portfolio managers build these funds with the goal of beating the market over a certain period of time. "The market" usually refers to the Standard & Poor's 500 – a measurement of the 500 largest U.S. companies listed on the stock exchange. In other words, funds are designed to perform better than the stock market overall, and on average, they can because they are made up of dozens of carefully picked stocks. While some stocks will go down in value, others go up. If you own just a few stocks – even if they are your favorite brands, or really great companies – that is much riskier since there are fewer of them to balance out over the ups and downs of the market.

Target-date: Target date funds are awesome because you don't have to do anything with them. They are set to mature at a certain time – usually when the investor retires. For example, I have a target date fund that is set to expire in 2045 – when I will be 68 years old. These funds typically are more aggressive – taking bigger risk with the hopes of bigger returns – earlier in the maturity period. They then shift to lower risk investments closer to the maturity date.

The big benefit of target-date funds for novice investors is that they are really easy. You buy it, then more or less leave it. Also, you are less tempted to buy and sell as you get older because the portfolio manager is doing that for you.

OK, so which one should you buy?

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I looked to MarketWatch's Paul A. Merriman, who crunched numbers for target-date funds and found that those by Vanguard – known for its low-fee, high-performing funds – were good bets. They all require $1,000 initial investments.

- Vanguard Target Retirement 2020 **VTWNX**
- Vanguard Target Retirement 2030 **VTHRX**
- Vanguard Target Retirement 2040 **VFORX**
- Vanguard Target Retirement 2050 **VFIFX**

These all require $1,000 initial investments. If you buy them through a Vanguard.com account, you will pay $7 each time you make an investment. That means, that if you invest $100 each month, you will pay $7 each month.

I walked through these steps at Fidelity.com, where I have accounts. The process is not totally straight-forward, and it can be confusing. For example, you have to fill out a PDF and actually attach a canceled paper check from your bank in order to set up automatic payments. While you may be hot to set this process up today, it may actually take a week or two for all the paperwork to get in place and the accounts hooked up. Financial institutions are highly regulated and the government forces them to go through these steps.

Be patient. See it through. Keep that enthusiasm going, and invest!

REMEMBER

The thing with investments is that there are no guarantees. But you have a much better chance of financial gains if you invest steadily and don't move your money around much.

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A note on college vs retirement savings for single moms

(Reprinted from Forbes)

A recent study of 4,500 upper-middle class families revealed a surprisingly positive factoid about single moms: even those who receive no child support make a good living. The same survey by financial giant Allianz found these same women make the classic financial mistake: prioritizing college savings over retirement.

Why do even financially independent, high-earning single moms hold such dumb money values?

According to the recent survey of U.S. families, Allianz found that on average the single moms in the group earned $78,800 per year and 77 percent are primary financial providers for their families, receiving 10 percent or less of their income from child support. In other words, these are high-earning women who take care of their families while kicking butt at work.

However, nearly half (47 percent) of single moms say that saving for their children's education is their No. 1 greatest motivation for developing a long-term financial plan -- above saving for retirement. Compare that with just 26 percent of other modern families who say the same.

Financial experts often address clients' questions about whether to prioritize college savings over retirement investments. The answer is always the same: Retirement comes first. Reasons include:

Financial aid formulas generally do not count retirement funds, while college 529 accounts are heavily considered.

- Tax breaks for retirement investments are far more generous that college investments.
- There are no federal loans for retirement, while there are lots of ways to finance a college degree.

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It is clear these successful moms have skewed financial priorities -- moreso than their married contemporaries. Meanwhile, the onus is on these moms to make better financial decisions than their married peers lest they be a burden on their children in the future.

Today, 24 percent of adult children expect to help their aging parents, according to Fidelity. And the likelihood of this dependency is heightened for the single moms in this survey, as 79 percent say they worry about running out of money in retirement. And they are probably right. After all, traditional families in the study had had an average household income of $113,000 -- 50 percent more than the single moms.

What is going on here?

The culprit is guilt. As it is, professional moms contend with a national value system in which 60 percent of Americans say that it is better for families when one parents stays home full time to look after the family (according to a Pew study) -- despite recent findings that kids who spend time in daycare fare just as well cognitively as those only cared for by their mothers. For single moms who do not have the option not to work, their guilt is compounded by that related to the divorce, and the very real fact that single parents spend less time with their children and have less disposable income.

As a professional single mom myself, I can relate. There are times -- especially harried workdays while shuttling my kids from school to soccer to drum lessons while trying to manage my own work obligations -- that I can't help but compare my family to my two-parent peers who seem to have more time, money, cohesion and able bodies to make life smoother. But as more research is conducted, including a recent study by researchers at the University of Bath, it is evident that kids raised by single parents fare just as well as those in traditional, two-parent households, controlling for things like poverty.

As the facts roll in, let's replace the guilt and stop using it to make bad decisions. After all, the Allianz survey found that 55 percent of single parents believe they have a responsibility to help their adult children get started financially (compared with just 37% of other modern families) -- a determination no doubt designed to compensate for our sense that we have provided a sub-par life for our children.

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So sock away as much as you can afford for an emergency fund and retirement. Help your student make wise decisions in choosing and financing a college degree. And wherever your path takes you, let go of the guilt -- the most useless emotion ever.

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Chapter 10

RESOURCE GUIDE FOR SINGLE MOMS

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RESOURCE GUIDE FOR SINGLE MOMS

Money

- **Mint.com** – best and free personal finance tool. For web, phone and tablet
- **ReadyforZero** – a free app and website that connects to all your debt accounts, and helps you create and execute a pay-off plan. It even alerts you when you reach goals. Horay!
- **eHealthInsurance** – my recommended site to shop for health, dental and life insurance.
- **StudentLoanHero** – list of banks that offer student loan refinancing
- **StudentLoans.gov** – Track your student debt
- **National Foundation for Credit Counseling**
- **Association of Independent Consumer Credit Counseling Agencies**
- **ReadyforZero's article** explaining the pros and cons of the avalanche vs snowball debt repayment methods. Worth a read!
- **NerdWallet's online tool** to help you find a brokerage

Medical bills

- **About.com article on negotiating medical bills**
- **HealthCareBlueBook** – great resource for average price for medical and dental procedures by zip code. Handy when negotiating medical bills and researching medical care you pay for out of pocket.

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Cars

- **AutoInsuranceQuotes** – comparison shop for car insurance
- **New vs Used Car Calculator** from Bankrate
- **TrueCar.com** is a great site that will help you understand what you should pay for a car. This is especially great if you feel unsure about your decision, or are intimidated to negotiate the price
- **Used Car Buying Guide** – Insider tips from Edmunds on buying the best previously-owned ride.
- **Guide to Selling Your Old Car** – Tips for getting rid of your old ride for the best price

Home buying

- **Freddie Mac home tax calculator** – estimates tax savings when you buy a home
- **Freddie Mach Rent vs Buy Calculator** – does the math on the cost of renting vs buying

Career resources

- **FlexJobs** – Awesome site for finding work-at-home, telecommute, part-time, and other flexible work jobs, including many, many professional, high-paying positions. Can't recommend it enough!
- **The college degrees and skills employers most want in 2015** (Yahoo! Finance)
- **Which College—and Which Major—Will Make You Richest?** (TheAtlantic)
- **Best Graduate Degrees for Jobs (and stress and satisfaction)** (Fortune)
- **10 High-Paying Jobs that Don't Require a Degree** (BBVA, by Emma Johnson)
- **100 top companies with Remote Jobs in 2015**
- **Expert secrets to finding a professional work-from-home job**

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- How to Start a Consulting Business
- How I became a work-at-home writer and blogger, and you can too

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