

# Thriving as a Single-Income Family

## SIMPLICITY DEFINED

Using time-tested research and experience, we tailor strategies to help you meet your most important goals. Tell us where you want to go; we'll show you how to get there. It's just that simple.

[www.mathiswealth.com](http://www.mathiswealth.com)



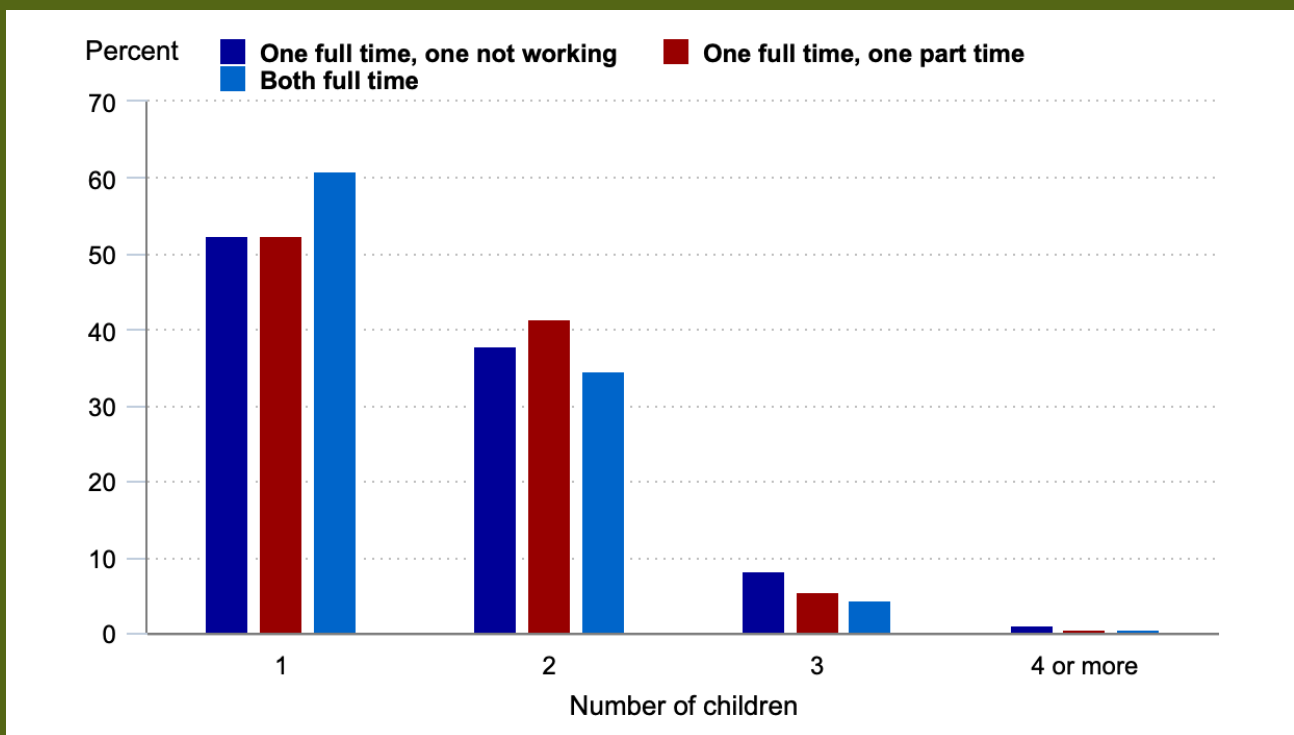
# Thriving as a Single-Income Family

Without question, the trend in the United States, over the past sixty years or so, has been toward more and more families relying on the incomes of both spouses. This was especially impacted by the increasing numbers of women entering the workforce since the 1970s, with women's participation peaking at 60% in 1999. According to 2019 data—the latest available at this writing—dual-income families accounted for 53.3% of US households, up from 51.9% in 2010. For households with children still at home, the percentage is even higher, with 66% reporting dual incomes.

But the flipside of that statistic deserves attention, too: 46.7% of US households are single-income. In other words, a significant number of families in the US, whether headed by single individuals or by a married couple, are single-income households. It is by no means essential for a family to boast two incomes in order to thrive financially, even in today's economy.

But there are certain features that successful single-income families share in common. Especially for families with children still at home, it's important to keep in mind both the limitations and the often-overlooked advantages of households with a single wage earner.

There can be many reasons why a family would choose to move from a dual- to a single-income model. One of the most common motivations is the desire to have a parent available more or less full-time for childrearing duties. And indeed, when one considers the extra childcare-related expenses assumed by dual-income families—such as daycare for preschool-age children, increased transportation costs to two workplaces, and even the typically increased frequency of dining out by parents too exhausted to prepare meals at home—the actual financial benefit of that second income can be much less than it first appears.



*Percentage of US households that are single- or dual-income, sorted by number of children in the household. The more children in a household, the more likely it is to be single-income. SOURCE: US Bureau of Labor Statistics*

Transitions can also occur as the result of a spouse's decision to leave the workforce in order to care for an aging parent or other relative, or because of a simple desire, even before retirement, to spend more time pursuing a hobby or other non-work interests.

But making the transition to one income—or deciding to start from the beginning as a single-income household—involves some important decisions about priorities. And the most important category for those priorities is centered on controlling expenses.

According to an article by finance professor Derek Tharp, the stress-maximizing mistake that most dual-income families make is establishing a lifestyle that relies too heavily on both salaries. For example, when buying a home, dual-income families typically use both incomes to qualify for the highest loan possible. Then, if the employment picture for one of them becomes doubtful or if one is perhaps laid off, financial difficulties increase rapidly.

By contrast, single-income families are more likely to approach budgeting with a cautious, yet realistic eye toward expenses, both current and future. This means that they are more likely to exercise control over fixed costs, which includes both mortgage expense and also paying down debt or avoiding it to the extent possible.

Another area where single-income families tend to conserve effectively is household expense. According to the Bureau of Labor Statistics, single-income households with children tend to spend noticeably less on food, transportation, childcare, and even education than families with multiple incomes.

# Strategies of Thriving Single-Income Families

**So, what can you do to thrive as a single-income family?** The most important step to take, according to most experts, is to have a solid plan in place ahead of time. Your plan needs to include features like establishing and maintaining an emergency fund, realistic guidelines for spending, a disciplined approach to debt, and creativity around entertainment and other enrichment activities.

- **Build your budget.** The number-one step for transitioning to living on a single income (or for meeting just about any other financial goal, for that matter) is creating a realistic budget that accurately takes into account your sources of income and all your expenses. This is the only way to get a good handle on where your money is coming from and, especially, where it is going. And we all know that if you're trying to get anywhere, you've got to start with some kind of an accurate map. The other advantage of a budget is that it will also tell you when you're getting off the path to your goal. Each month, when you look at your income and your outgoings, you can compare your real-world results to the budget, and you can make a course correction to get back on your desired route. But without a budget, you're just sort of traveling blind. And as often as not, you'll be headed in the wrong direction.
- **Create an emergency fund.** According to the Bank of America, having a solid emergency fund in place is a major factor in reducing the financial stress of running a single-income household. If you're presently a two-income family, it's a good idea to use direct-deposit or other systematic means to move funds into a savings account until you have enough on deposit to cover six to nine months of basic living expenses. This may be the most important thing you can do to set yourself up for success as a single-income family. Your emergency fund will also save you from pulling out a credit card in order to handle unexpected expenses like car, appliance, or home repair. Covering such costs with cash, rather than high-interest credit card debt, will go a long way toward keeping your single-income household on an even financial keel.
- **Become more minimalist.** From paying for only as much living space as they actually need to shedding excess household "stuff" and even figuring out how to manage with a single vehicle, thriving single-income families are experts at learning how to differentiate "wants" from "needs." Those who truly commit to the single-income lifestyle put all their expenses under the magnifying glass, from gym memberships to wardrobe purchases.

- **Embrace the thrill of the hunt.** Many find that they actually enjoy the challenge of bargain-hunting, which doesn't always mean compromising on quality. Getting acquainted with the second-hand shops in your community can help you find gently-used designer brands for as much as 90% off the manufacturer's retail price. It's all in knowing where and how to look.
- **Consider relocation.** For some families, relocating to an area where housing and other costs of living are lower can pay huge dividends, permitting a comfortable lifestyle at greatly reduced cost. For example, a 2,500-square-foot home that would carry a million-dollar price tag in the San Francisco Bay area might cost less than half that in a place like Albuquerque. Additionally, other amenities, such as after-school karate classes for the kids, gasoline for the car, and other recurring expenses are often much more affordable in different locations.
- **Shed your debt.** When you use credit cards, you trade your financial freedom for the convenience of getting something now and paying for it later. The trouble is, unless you pay off the balance every month, you end up paying for it many times over, due to the high rates of interest charged by most credit card companies. And it's not just credit cards; student loans, auto loans, and other indebtedness can make it really tough for a single income to stretch far enough. So, if you're planning a transition to a single income, getting rid of as much debt as possible should be a top priority.
- **Spend time, not money.** Quality entertainment doesn't have to be expensive. In fact, it can cost nothing. Especially for single-income families with kids, a trip to the local park or nature trail can be just as enjoyable as a movie at ten dollars per ticket (or more) and a whole lot more educational. Museums, libraries, and even public schools offer free programs that can entertain, educate, and enrich. And if you're dead-set on watching a movie with your family, most public libraries offer a great selection of DVDs, available for checkout on your library card.

## Advantages of Single-Income Families

Though it may not seem obvious, single-income families can access several benefits not typically available to dual-income households. Certainly, most would quickly zero in on the disadvantage of having less household income and the loss of flexibility that accompanies that condition. But consider the following aspects of life as a single-income family that are not generally enjoyed by households with two full-time incomes. Potential for greater savings. When you're living on a single income, the second spouse may have more time available for taking on temporary, part-time, or freelance work to raise funds for things like holidays, a special vacation, back-to-school expenses, and other needs that pop up from time to time. Because most dual-income families tend to spend to (or even slightly beyond) the limits of their income, they often have less flexibility in this area than single-income families who have disciplined themselves to live on less.

- **Lower payroll, income taxes.** Especially for single-income families with multiple dependents—which can include both children and older adults who require financial support—adjusting your payroll withholding allowances can mean a lower percentage of salary absorbed by withholding and a bigger monthly paycheck. Also, such households will typically pay less in income taxes due to falling in a lower tax bracket (because of less income) and, for those with dependents, more exemptions. Child tax credits can also come into play. Sometimes, these taxation factors combine to actually make it less expensive for the household to operate on a single income than on two, more highly taxed incomes.
- **Lower childcare costs.** We've already discussed it, but saving on childcare is often the single greatest financial advantage for single-income families. According to a May 2021 survey by Bankrate.com and YouGov, families are spending an average of \$8,355 per child to secure year-round childcare.
- **More time for personal fulfillment.** Though it's not strictly a financial benefit, many single-income households are able to allocate more time and energy to hobbies, volunteerism, and other activities that lead to better mental and emotional health. Especially for families who no longer have pre-school children to care for, freedom to spend several hours each day pursuing personal fulfillment can lead to enhanced satisfaction and enjoyment for both partners.

# Financial Guidance for Single-Income Families

One of the most helpful things you can do, whether you are considering the transition to being a single-income household or you are already in that category and looking for greater clarity, is to make an appointment with a qualified, professional financial planner and advisor. A fiduciary financial advisor can take an objective look at your finances and help you develop a plan designed according to your family's unique needs. Best of all, a fiduciary advisor will provide guidance that has your family's best interests foremost. Having a strategy in place that is custom-designed with your specific goals and priorities foremost can help you to pursue your aspirations as a single-income household.

## SOURCES

Jacqueline DeMarco, "53% of Households Are Dual-Income, and That Percentage Has Risen," MagnifyMoney (Lending Tree), June 9, 2021, available at <https://www.magnifymoney.com/blog/news/dual-income-households-study/>

US Bureau of Labor Statistics, "Comparing Characteristics and Selected Expenditures of Dual- and Single-Income Households with Children," September 2020, available at <https://www.bls.gov/opub/mlr/2020/article/comparing-characteristics-and-selected-expenditures-of-dual-and-single-income-households-with-children.htm>

Maryalene LaPonsie, "Does Your Family Really Need 2 Incomes?" U.S. News & World Report (online), August 16, 2018, available at <https://money.usnews.com/money/personal-finance/family-finance/articles/2018-08-16/does-your-family-really-need-2-incomes>



# Mathis Wealth Management

Since 1987, our experienced and responsive team has been inspiring clients to make smart financial decisions through proactive, values-based financial planning, while striving to provide service that exceeds our clients' expectations. With the guiding principles of trust, transparency, and accountability, we believe that we are not really in the "business of money"; we're in the business of life.

Mathis Wealth Management is a financial planning, wealth advising, and investment management firm. We are compensated for advising our clients and managing their investments, and any fees and costs to our clients are clearly disclosed in advance. We are ethically and professionally bound to avoid conflicts of interest in the advice and service we provide, and should such conflicts of interest exist, we must disclose them in writing, prior to embarking on any course of action on a client's behalf.

Investment products and services available only to residents of AZ, CA, CO, FL, GA, ID, IL, IN, IA, MD, MI, MO, MT, NE, NV, NM, NY, NC, OH, OR, PA, TX, UT, WA and WI. No offers may be made or accepted from any resident outside these states due to various registration requirements regarding investment products and services. Securities offered through United Planners' Financial Services, Member FINRA/SIPC. Advisory Services offered through Mathis Wealth Management, a registered investment advisory firm not affiliated with United Planners Financial Services.

The information in this material is not intended as tax or legal advice. Please consult legal or tax professionals for specific information regarding your individual situation.



**Address**

7210 N 16th St  
Phoenix, AZ 85020  
United States

**Phone & Fax**

Phone : 602-393-0501

**Online**

Email : [contactus@mathiswealth.com](mailto:contactus@mathiswealth.com)  
Website : [www.mathiswealth.com](http://www.mathiswealth.com)