

From two incomes, to one: preparing to live on a single income.

Written by Cary Yates

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You may be among the majority of couples in the nation who live on a double income, yet you may find that you have to switch from two incomes to one. One of you might go back to school; maybe you want to start a family; perhaps it's for health reasons or some other life change you foresee. Whatever the reason, the key to moving from a double to single income household is preparing for it.

You can start now. This process is about much more than having enough money to cover monthly expenses. You need to evaluate your current position, set goals and take steps to achieve success.

Evaluate - You need an accurate assessment of your existing finances before you can make a plan for the future and set realistic goals. For example, jot down your monthly income and make a list of monthly expenses. Determine where your money is going so you'll know how much you can save and where you can make adjustments.

Review your banking and investment accounts, monthly bills and insurance policies. If you have questions about your finances and, more generally, financial management, ask your banker, financial adviser, broker and insurer to explain.

Set goals - What is your timeline, when do you want to make the change from a double to single income? Is this change for only a year or two, or indefinite? Have a frank discussion about the lifestyle you expect to maintain, and don't forget to consider saving for retirement, a new home or a child's college education. Whatever your goal, estimate what you'll need to save to attain it. Establish a timetable and stick with it.

Set up automatic savings - To get on the right track, "pay yourself" first. Set up an automatic deduction that goes right from your paychecks into an investment or savings account. What you don't see, you don't miss. This can be a great way to build up the funds you will need.

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Eliminate credit card debt - If you own a home, consider a home equity loan to pay off the cards. Or, pay the minimum on the lowest-interest cards and pay off the highest-interest debt as soon as possible. Then pay off the next. You might be surprised by how much eliminating debt can alter your monthly expenses.

Creating a timeline and setting goals to prepare for living on a single income will give you the foundation to achieve success. Even if you aren't considering making this type of transition anytime soon, these are still valuable tips to help you aggressively save and eliminate debt.

To get started in the right direction, talk to your financial services provider today.

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