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HOW TO SURVIVE GOING FROM DUAL-INCOME HOUSEHOLD TO A SINGLE-INCOME ONE

Lindsay Mott | April 10, 2020

Forced to downsize to a single income after a major pay cut? Here are five things to do to re-establish financial security in your household.

It happened. Your partner lost their job or was furloughed. The divorce is final. Or worse: Your beloved passed away. Experiencing a major pay cut — going from a dual-income home to a single-income household — can feel destabilizing, to say the least. Just know that you're not alone.

From online resources to friends and family, there's information and support all around you. We talked to some experts about how to navigate the transition after a major household pay cut.

TAKE A MOMENT TO PROCESS

First and foremost, take care of yourself. Whether the pay cut was unexpected or not, you've been through an emotional, traumatic event. Take time to process this and go easy on yourself: You don't have to have everything figured out on day one.

"There needs to be a window of time where people really digest what they've been through," says **Lili Vasileff, president of Wealth Protection Management.** "This is stepping into a new world. You're testing yourself, and you're testing the waters."

5 THINGS TO DO AFTER A HOUSEHOLD PAY CUT

Lauren Pearson, managing director and partner at Hightower Somerset, encourages women going through a pay cut transition to assemble a support team. She recommends reaching out to those in your inner circle who may have a similar experience and can help you through the tough spots. You may also have people you already know who are experts in certain financial areas and are willing to share their knowledge.

The top three experts that Pearson recommends are a financial advisor/certified financial planner who serves as a fiduciary, a certified public accountant, and an estate planning attorney.

As you assemble your transition team, take these steps to make stepping into your new single-income reality go more smoothly.

1. DON’T MAKE ANY LONG-TERM COMMITMENTS

Vasileff says the transition when losing an income often happens in two phases. The first is a probationary period where things tend to settle. This is typically two to three months, but can vary depending on the situation.

First and foremost, she says it is vital not to commit to anything long-term, such as a mortgage, lease, or car loan, during this early period. Emotions are high, and you may realize down the road this was not a good decision.

“That’s the worst thing you can do,” she says. “Give yourself the moment to really breathe and see what it is that’s most important to you in this so-called settlement period.”

2. KNOW YOUR NUMBERS

During this trial phase, buckle down a bit while taking the time to calculate monthly expenses and figure out the number you need to bring in each month to feel secure. This is also the time to examine your expenses and set financial priorities. “Become a student of what you spend and what you need,” Pearson says.

Many women assume that things will change drastically for them after a pay cut, but both **Vasileff** and Pearson agree that this isn’t always the case. That’s why it’s important to look at the actual numbers.

3. SHORE UP YOUR SAVINGS

Once the monthly number is set and you feel financially confident, **Vasileff** says that’s when most people are ready for the next phase and you can open things up again and look at establishing financial goals.

She encourages women to begin investing in themselves at this time, whether it be 1%, 2% or even $5 a week. A good savings goal right now is to establish an emergency fund. With that in place you can move onto investing for your future.

After a pay cut is also a good time to decide if you want to work with a financial advisor or planner. This can be a great investment if you feel you need a bit more support or need a second opinion when making decisions.

4. ESTABLISH YOUR OWN FINANCIAL IDENTITY

This is one of the most important things for women to do, according to **Vasileff**, whether you are preparing for a transition or when one is forced upon you. It's important to have credit established in your own name. You need credit accessibility and a good rating, which can affect the cost of loans, mortgages, leases, and insurance. This is especially important if you're divorced, separated or widowed.

You can establish credit by:

- Having a major credit card in your name
- Opening a bank account in your name
- Protecting your credit by closing out joint accounts and joint lines of credit established with an ex

4. UPDATE YOUR BENEFICIARIES

It's important to check and update the beneficiaries of all your accounts after any life transition. But especially after a divorce or death of a spouse since many of these default to a spouse. This is also the time to update any estate plans or wills.

5. KNOW WHAT ACCOUNTS YOUR NAME IS ON

It's also important to know what other financial accounts and documents your name is on. Are you on the title of your house? What about the bank accounts? Are you listed on investments? Could there be a loan that you are not aware of? These are good things to look into whether you are facing a financial transition or not.

Finally, remember to be gracious with yourself – you may not master everything overnight, but the list for financial security when downsizing to a single income may not be as long as you think. "The important things will bubble to the top," Pearson says. Following the steps in this article can help you ease into it a little better.