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Financial Decision Making in Stepfamilies

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Money, frequently cited as the biggest source of stress in family life, is often an even more challenging matter for members of stepfamilies. About 50 percent of Americans will live in a stepfamily at some point in their lives, making money management in stepfamilies an important issue for many people. This guide will describe several reasons why stepfamily members often have very different views related to the use of money. It will also discuss some ways by which stepfamilies can manage their financial affairs successfully.

Financial circumstances unique to stepfamilies

Although all families face a variety of financial tasks, such as preparing a budget, dealing with unforeseen expenses, and planning for the future, financial matters are often more complex in stepfamilies. Why is this so? This section will highlight some common characteristics of stepfamilies that can make financial decision making more complicated than in first-married families.

Different financial perspectives and experiences

Husbands and wives often have differing attitudes and beliefs about family finances. In a remarriage, however, each partner contributes not only his or her own beliefs about money to the new relationship, but also past financial experiences and established habits of spending and saving money. It can be a major challenge for remarried spouses to merge their ideas into a system that is acceptable to both partners. If partners insist upon retaining the methods of handling money and making financial decisions that they used in other relationships, they may experience friction with their new spouses. Tension is especially likely if financial problems were a contributing factor in a previous divorce.

Division of resources between two or more families

Another factor that can make managing money difficult for stepfamilies is having to divide resources between two or more families. Changes in income or expenses in the stepfamily will likely affect the financial situations of the households in which former spouses or non-residential children live. For example, additional money for the children's dental work may be requested by the custodial parent at the same time the non-custodial parent incurs the expense of repairing his roof. The cost of the dental work, combined with the roofing bill, may present a real financial challenge to the non-custodial parent. Also, some of the stepfamily's financial decisions may have to be based on the needs or wants of another household. For instance, plans to have a baby or go on a vacation may have to be postponed because the financial needs of a former spouse or non-residential child increase unexpectedly. Situations such as these usually make financial decision making more complicated.

Research has shown that families with a higher income function better as stepfamilies. This makes sense, as having more money helps eliminate a significant source of tension in the stepfamily. It can also reduce friction between households because there is more money available for the support of children and former spouses. However, when households have fewer financial resources, the potential for tension and conflict increases.

Interaction with the legal system

A third issue that often complicates financial functioning in stepfamilies is having to work with the legal system. The court assumes some of the financial decision making authority for parents by determining the amount of child support and the length of time it will be paid. By contrast, partners in first-married families are able to consider their needs and make financial decisions without having to account for policies established for them by a court.

Child support can be a challenging issue for many stepfamilies. Child support amounts set at the time of the divorce may be insufficient for children's needs several years down the road. Also, these payments may become too burdensome for the non-custodial parent who has lost a job, become ill, or had some type of family emergency. Although the amount of child support can be changed, legal action is required and this may be a time-consuming and costly process. One way to help prevent ongoing problems with child support and other financial issues involving children is to create a parenting plan. See the adjacent box, entitled "Parenting Plans," for more information.

Ongoing conflicts with former spouses

Because providing for children's needs preserves a link between former spouses, there is the potential that problems present before the divorce will continue. Issues such as guilt, competition for children's love, power struggles over visitation, and attempts to substitute money for time with children can all have an impact on the financial dealings of stepfamilies. These differences often lead to a continuation of conflict between former spouses. Parents and stepparents in this situation may become frustrated because they feel less in control of their financial circumstances than they would like to be.

Partners may also compare their standard of living with that of a former spouse and go to great lengths to highlight the financial differences between the two households. Unfortunately, children may then become the target of sentiments such as "We have less money because we are supporting two households of children" or "I have to work because my spouse has all these financial obligations left over from previous marriages." These feelings, even if they are not conscious, may affect attitudes toward the children. Ongoing conflicts and hard feelings such as these often make financial decision making more difficult for stepfamilies.

Parenting plans

In Missouri, the court has recently mandated that divorcing parents create a parenting plan. Parenting plans require parents to talk together and set guidelines about issues that affect their children. One benefit of parenting plans is that they enable parents, who know their children best, to work together and make their own decisions about their children's lives. If parents leave matters regarding their children unresolved, judges will have to make these important decisions for them. Parenting plans also benefit stepfamilies. Because financial decisions will have been discussed at the time of the divorce, stepfamilies are in a position to better manage their money.

There are many issues parents should consider when developing their parenting plan. Those pertaining to family finances include:

- Child support payments
- Child care
- Health insurance
- Claiming children for tax purposes
- Life insurance
- College education

The plan should clearly state the terms of the agreement while allowing room for flexibility and future negotiation when necessary. As children grow and their needs change, the family's financial situation is also likely to change. However, having a parenting plan provides a good foundation from which parents can negotiate new arrangements.

Managing family finances successfully

Although handling finances presents a challenge for many families, it is possible for stepfamilies to manage their money effectively and create a sense of financial security and comfort. When partners spend sufficient time talking about their attitudes regarding money and planning their finances, they benefit greatly from their efforts. Effective money management prevents a great deal of stress and tension and leads to healthier family functioning. This section discusses strategies that can help stepfamilies manage their finances successfully. It also describes several common practices that usually lead to conflict and should be avoided.

Ideas for effective financial management

- Talk together about your past experiences with money and how you feel money should be handled. Ideally, this should be done before you remarry. See the adjacent box, entitled "Communicating about finances: Questions for discussion," for more information.
- Experiment with different methods of handling finances until you find a system that works for your family (keeping separate accounts, pooling all money, a combination of these two practices, etc.).
- Develop a budget and make joint decisions regarding finances.
- Discuss your family's financial situation with children as they mature.
- Provide older children the opportunity to gain money management experience by giving them a portion of the child support to spend on clothing, recreation and other personal expenses.
- Prepare for unforeseen problems by communicating with your children's other parent about how you will handle unexpected expenses and financial emergencies. This information should be included in your parenting plan.
- Communicate between families about anticipated expenses. This increases understanding and acceptance of financial needs and enables both families to plan and meet their expenses.
- Express gratitude to former spouses for little things that are given and received.
- Share your feelings and concerns about managing money with members of other stepfamilies for emotional support and insight. Consult a counselor or financial professional if you feel your situation needs extra help.
- Evaluate your expectations and relax them if needed. Think about all the things you can control in your financial situation and worry less about those you cannot.

Strategies to avoid

- Involving children in communications and struggles over child support.
- Using money as a battleground to demonstrate power in the relationship. For example, custodial parents may threaten to withhold visitation rights in order to receive child support payments. Or, non-custodial parents may give children money for items they know the custodial parents don't want the children to have.
- Overcontributing to a former spouse out of a deep sense of guilt or fear of not seeing the children. Feelings of unfairness develop when the present household has little or no money for small luxuries or recreation and the former spouse and children are living well.
- Undercontributing to the support of children when financially able.
- Failing to communicate between and within families regarding children's expenses.
- Paying for each set of biological children separately (each remarried parent pays for himself or herself and his or her children's expenses). This tends to create two separate families living under one roof. This is especially problematic when there is a large difference in the spouse's personal assets.
- Keeping all assets in one name. This often makes the other spouse feel like an outsider.
- Using child support for expenses not related to the care and welfare of the children.

Communicating about finances: Questions for discussion

Research indicates that only about 20 percent of remarried couples discuss their finances prior to marriage and almost none seek professional help for assistance in considering financial issues.

However, whether the stepfamily is just forming or has been a family unit for a number of years, it is essential that family members communicate about their finances and how best to handle them. The following discussion questions can facilitate communication about important financial topics.

Attitudes about money

- What are your feelings and past experiences regarding budgeting and planning for future needs?
- What is your perspective about debt (credit cards, installment debt, auto and home loans, etc.)?
- What role should each partner play in earning money? Making financial decisions? Managing financial resources?

Joint versus separate accounts

- Will you have joint or separate checking and savings accounts or some combination of the two?
- If separate accounts are established, which expenses will be paid from each account?
- How will debts from a previous marriage be handled?
- Will assets acquired during the remarriage be held in joint or separate ownership?

Budgeting

- What items need to be included in a weekly or monthly budget?
- Who will be responsible for paying bills and keeping financial records organized?
- How will unexpected expenses be dealt with?

Meeting children's needs

- How will expenses for the children be handled?
- Is the child support you are paying and/or receiving adequate?
- If you are receiving child support, how will that money be used?
- Who is responsible for children's health care decisions and expenses (including health insurance)?
- How will college education expenses be met for the children?
- Who receives the tax exemptions for the children?
- How will children's allowance be structured (amount, how it is earned, who pays, etc.)?

Planning for the future

- What are your short- and long-term financial goals?
- How much support do or will elderly parents need?
- What items will you include in your wills and who will be the inheritors?
- Who will be the beneficiaries of life insurance policies?
- Will you set aside regular times to discuss the current state of your finances and plan for the future?

Conclusion

Money is a powerful force in our society and can have a major impact on the success of a stepfamily. Research suggests that there is no one correct method of handling finances in stepfamilies. Family members need to thoughtfully consider their situation and communicate about how to best manage their money. When spouses communicate openly, make decisions together, and have mutual trust and respect, they greatly increase the likelihood that they will manage their finances successfully.

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Related MU Extension publications

- GH6700, Foundations for a Successful Stepfamily
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