

# FEMALE FINANCE

## How Much Is It Going to Cost You to Stay Home with Your Bundle of Joy?

*A Bundle! Here's How to Figure Out Whether You Can Afford It.*

By Elizabeth Lewin

**T**he feminist Supermom, juggling briefcase and diaper bag, work and child-rearing responsibilities, is well on the way to becoming an endangered species. Thank goodness! Many women these days don't feel the need to prove they can be all things to all people. Though we may still prefer to return to work for both personal

and financial reasons, we're not as militant about it as the last generation of working moms was. More and more of us, in fact, are opting to become full-time moms, at least for the first year or two after our babies are born. Call it retro chic motherhood.

According to the Census Bureau, the number of women who returned to work within a year of having their babies dropped four percent, from a record 59 to 55 percent, between 1998 and 2000.

The number of children being raised by

stay-at-home moms has risen 13 percent in a little less than a decade. Some experts suggest that the increase in Hispanic families in the U.S. may be one factor driving this trend. Others speculate that a generation of women who were raised in day care are now becoming mothers and that these women may not want their own children to

become day-care or latchkey kids.

From a financial perspective, going from two paychecks to one takes careful planning. Even a three-month maternity leave can put a big dent in the family budget.

Staying at home to raise your bundle of joy for a year or more can cost you, well, a bundle. You'll be losing much more than just your salary during that time. While staying home can be very tempting, before you bid farewell to your employer, you need to be aware of the many ways that such a move

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will impact you, as a woman, as well as your family, both now and in the future. Then find ways to compensate for the income and other benefits that you will be giving up.

### When Two Incomes Become One

No doubt you have an idea of what your income and expenses are. Take those figures and start playing “what if.” What if you stayed home, and your family’s resources went from two incomes to one? What if you returned to work after the birth of your child? What added or reduced expenses would there be? You’ll want to pay particular attention to the following areas, which will be affected by your decision. Add up the pluses and minuses, and see where you stand.

**Your income.** You can expect income to drop significantly, if you decide to stay at home. You’ll need to start thinking about what changes you could make in order to reduce expenses to compensate for the lost dollars. Can you cover all of your monthly bills with one income? Be sensitive to the fact that it can be very stressful and frightening for the remaining breadwinner to bear that responsibility alone. Would it be possible for your husband to find a higher-paying job or to ask for a raise? Could you work part-time at home? The decision to live on one income must be made jointly.

When calculating the value of your income, don’t forget to factor in the value of any benefits you currently receive through your employer. A dental plan is pure gold to a family with young children! Does your spouse’s plan have similar benefits, and how much more will it cost to have the entire family covered on that plan, if it isn’t already?

**Childcare.** According to the latest figures from the Children’s Defense Fund, American parents pay between \$4,000 and \$10,000 per child per year for full-time childcare. It doesn’t take much to realize how much money you would save by staying home as, opposed to paying for full-time childcare for one, two, or more children. On the other hand, you will be eligible to claim a portion of your childcare

expenses as a credit, should you return to work. (See taxes, below.)

**Transportation.** If you stay home, you’ll save on gas or commuter tickets. On the other hand, if you were only relying on one car, you may now need two—one for you to drive to the shopping mall or recreation center or doctor’s appointments, while you’re home. You might even need to invest in a minivan. If so, can you afford a second car payment and the additional insurance?

**Food.** If you stay home, you’ll probably cook more meals and save money on take-out and restaurant bills.

**Clothing.** If your current job requires you to wear designer suits, you’ll see a dramatic reduction in your expenses in this area. You’ll probably be able to splurge on a diaper service with the money you save.

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**In the minus column: As a stay-at-home mom, you’ll lose your financial safety net. If your marriage breaks up or your husband dies suddenly, you could find yourself thrown back into the workforce, playing a big game of catch-up.**

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**Extra expenses.** You know—that mysterious black hole in your budget where all the money seems to disappear: the café latte every day, the money for a co-worker’s birthday present and the office Oscar pool, expensive lunches out. You’ll find that those extras disappear once you become a single-income family. There are simply fewer places to spend your money, when you’re home.

**Taxes.** If you decide not to return to work, you’ll have no income and thus no income tax to pay. On the other hand, if you return to work and pay for childcare, you will be able to deduct up to 35 percent of your total eligible expenses for that care (up from 30 percent last year) from the taxes you owe, thanks to the Child and Dependent Care



Credit. If you hire a nanny, just be sure to pay her Social Security. Remember Nannygate? Whether you work or stay at home, you'll be able to deduct a \$1,000 child credit from your taxes.

### The Hidden Costs of Staying at Home

While most of us find it relatively easy to assess the short-term costs of staying at home to raise a family, many of us fail to consider the long-term financial implications of that choice, and these are significant for a woman. First of all, there's the fact that you'll likely lose ground when it comes to saving for your retirement. Take Social Security, for starters: the amount of time you take off from work will affect the size of the benefit you get when you retire. Forty quarters, or 10 years, are needed before you're fully

insured. The more you earn during your years in the workforce, the more you will receive at retirement. A woman who has never worked outside the home is still entitled to Social Security benefits, based on her husband's record, but she will receive only one-half of his benefit upon retirement. If you are both fully insured at retirement, you will each receive a retirement check based on your own record.

If you have a 401(k) plan at work, your savings—including your employer's matching contributions—will come to an end. Your husband can open a Spousal Individual Retirement Account (IRA) in your name, while you're at home raising a family. But, in reality, there will be fewer dollars available to do so. Will that smaller nest egg result in a lower standard of living for your family, come retirement time? If both of you continued to work full-time and

maxed out your 401(k) contributions, you'd have a small fortune when you retired.

Second, there are the undeniable career costs associated with dropping out of the workforce for an extended period of time.

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**Another minus: The amount of time you take off from work will affect the size of the Social Security benefit you get when you retire.**

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You'll miss out on promotions (and raises) and you may quickly lose touch with developments in your industry or profession, something that could necessitate a period

of retraining when you decide to go back to work again. Janice is an accountant and hopes to become a partner in the firm.

"That never would happen if I stayed home, and it would be impossible to keep up with all the changes in tax law, if I stopped practicing for four or five years," she explains.

Third, you'll lose any life or disability insurance benefits you may have on the job. As a stay-at-home mom, you'll need both life and disability insurance. Did you remember to put this in your budget? What would your husband do, if something were to happen to you? Could he afford to hire the childcare he'd need?

Fourth, as a stay-at-home mom, you'll lose your financial safety net. If your marriage breaks up or your husband dies, you could find yourself thrown back into the workforce playing a big game of catch-up.

Particularly these days, there's another reason, too, for continuing as a two-pay-check family, even if your childcare costs and other work-related expenses end up wiping out the second income altogether. Two incomes can shield against the terrible uncertainties of today's economy. Job security is a thing of the past. What if your husband loses his job? How easy would it be for you to find a job in this difficult job market?

### **Beyond Money Considerations**

With all of this to worry about, it's no wonder a recent study concluded that two-income families are generally happier and healthier than families in which only the male partner works. They have fewer financial worries and both partners are less likely to suffer from depression. Of course, money shouldn't be the only deciding factor. If you're someone who gets a great deal of satisfaction from working and who thinks she'd be completely stir-crazy by the end of her first day as a stay-at-home mom, then it makes more sense for you to keep your job, even if you can afford to stay home. Your depression and boredom will probably have a negative impact on your child. "This was not a financial decision for us at all," says Barbara. "We both felt we needed to work

for the mental stimulation. I would have gone nuts if I'd stayed at home."

The flip side of the coin also applies, of course. If being at home with your children is extremely important to you, you may decide that you're going to stay home with them, whether you and your partner can actually afford to lose that second income or not. Carol and Jim commuted by train two hours each way. "I realized," says Carol, "that I would never be home to see my child

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**Bottom line: Money shouldn't be the only deciding factor.**

**'This was not a financial decision for us at all,' says Barbara. 'I would have gone nuts if I'd stayed at home.'**



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if I stayed at my job. We worked and reworked our budget several times and knew that we would suffer financially when I quit, but I wouldn't change a thing."

And sometimes the briefcase still doubles as a diaper bag. When Matthew was born, Jeanne was earning more than Eric, so there was no way that she could afford to stay at home. Eric couldn't leave his job, because he had great medical benefits and Jeanne had none. Fortunately, there was a day-care center where Jeanne worked. She got to work at 7:30 A.M. and kept Matthew with her until 9, when she took him to day care. Then she picked him up at 2 P.M., and he napped or played in his portable crib in her office. As he got older, he "helped" her out till she left at 3.

Whether you decide to stay at home with your children or continue working, what's important is how comfortable you and your partner feel about the decision that you have made and that you make that decision together, fully understanding what you're giving up and what you're gaining. □

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