



Planning for Single Parents

According to the U.S. Census Bureau, in 2020, approximately 18.6 million children under the age of 18 lived in a single parent household. Another 4 million had no parents and were raised by others, typically grandparents.

While the numbers are alarming, the trend has increased over the last several decades, whether because of divorce, choice, or other circumstances. In these situations, the additional support system provided by a second parent or second income simply is not available. This can expose the failure to maintain an appropriate financial plan, or exacerbate deficiencies in current financial plans. Accordingly, single parents need to ensure their financial affairs are in order with proper planning. The following is a brief summary of some important financial considerations for a single parent. Please note, this summary is not all-inclusive.

Savings & Budgeting: It's becoming increasingly difficult to raise a family with a single income source. The cost of living is increasing, housing costs and goods are more expensive, tuition keeps rising, and things we used to consider luxuries or one-off expenses, such as cell phones, tablets, gaming systems, streaming services, etc., are becoming necessities that need to be renewed regularly. Therefore, carefully budgeting your cash flow and living within your means is vital. Saving for future expenses, such as college or retirement, should be started as soon as possible. An emergency fund of 3 to 6 months of living expenses should be maintained to address the curveballs life tends to throw our way.

Medical Insurance: Given the substantial cost of medical care, a significant injury or illness can impose extreme financial distress on a family without health insurance. While health insurance is often available as a benefit at work, not all employers provide it. If health insurance is available, you should consider signing up for it immediately. The cost is typically subsidized by your employer. If you had your health insurance coverage through a spouse's job, but now you're divorced or widowed, determine if you can obtain it through your employer. You may also be able to purchase medical insurance through the Health Insurance Marketplace (a/k/a "Exchange") created by the Affordable Care Act of 2010. The Exchange is available in every state and can be accessed through www.HealthCare.gov.



Life Insurance: As a single parent, life insurance is a necessity. If you're no longer around to care for your child or children, whomever is designated or appointed to care for them will need financial assistance to help raise them. The death benefit from life insurance will help provide that financial assistance. Depending upon the type of life insurance you purchase, you may even be able to supplement your savings and retirement funds. This type of life insurance is known as cash value or permanent life insurance. While there are several types of cash value life insurance products available, whole life insurance is the most established form. Whole life insurance guarantees cash value growth and the death benefit so long as premiums are timely paid. Non-guaranteed values may be higher and, depending upon the carrier, dividends may also be paid.

Disability Income Insurance: Disability income insurance is just as important as life insurance. As its name suggests, disability income insurance will help protect the primary source of your ability to spend, save and grow your wealth, i.e., your salary, in the event you become totally or partially, temporarily or permanently disabled due to an injury or illness. It can become almost impossible to support your family if you are unable to work, but this insurance can help to weather the crisis. Some employers, but not all, provide some amount of disability insurance coverage. Even with employer-sponsored disability insurance, however, your income may not be adequately covered, and should be supplemented with privately purchased disability insurance.

Property & Casualty Insurance: You've worked long and hard to be in a position to purchase your car, home and other properties. Protecting those assets with appropriate levels of property and casualty insurance (P&C insurance) is required. P&C insurance protects the value of your assets when damaged or lost from various casualties. Depending upon the coverage purchased, covered casualties may include damage or losses caused by fire, theft, flooding, accidents and more. P&C insurance can also help provide financial protection from lawsuits brought by third parties who may be injured or otherwise financially aggrieved due to events that may be your responsibility, such as automobile accidents or slips and falls on your property due to unsafe conditions.




Estate Plan: An estate plan will ensure that your hard-earned wealth will be used in the manner you intended, and go to the correct people in the event something happens to you. Just as important, an estate plan will designate trusted individuals who will be tasked with safeguarding and raising your minor children in the event you are no longer around to do so (i.e., Guardians). An estate plan will also designate trusted individuals to make financial and healthcare decisions on your behalf in the event you are incapacitated or otherwise unable to make these decisions for yourself. A foundational estate plan includes a Last Will and Testament ("Will"), Financial Power of Attorney, Healthcare Proxy and Living Will. Failure to have a foundational estate plan may result in court costs, litigation, family discord and other results that you may not have intended nor anticipated, and may not be in the best interests of your child or children as you envision.

Conclusion

As you can tell, a single parent must have their financial house in order to ensure they protect their sources of income and hence, their ability to grow wealth. A single parent needs to protect their existing assets and their children. This can be done with an appropriate insurance and financial plan, as well as an estate plan.

For More Information Contact:



Contact your Security Mutual Life insurance advisor today to get the process started. Your Security Mutual Life insurance advisor is positioned to help you by working with your tax and legal advisors to create an insurance plan designed to fit your financial and estate planning goals.

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