JULY 30 2017

Single parents can put themselves into a better financial position

John Collett

Single parenting is tough – there's no glossing over the fact. Even years on from the divorce or separation both men and especially women suffer financially.

Men tend to earn more than women, on average, and most children live with their mothers with more expenses associated with being the main or only carer of the children.

Single parents face challenges staying afloat, but with planning and determination they can find financial independence.

The figures are sobering. A study by AMP and the National Centre for Social and Economic Modelling released at the end of 2016, found that a divorced parent aged less than 45 years has 36 per cent less in assets than a married respondent of the same age.

A divorced parent aged 45 to 64 has assets valued at only a quarter of those of a married parent from a similar socio-economic background.

The data is for divorce rather than separation as there is official data for divorce, but the results are believed to be similar.

The AMP-NATSEM report notes super balances for divorced women are 70 per cent less than married women and 28 per cent lower for divorced men compared with married men.

Deborah Kent, a financial adviser and principal of Integra Financial Services, sees of lot of divorced and separated people in her work.

"They will have seen their future together as a couple, and then, for whatever reason, that's not going to happen and it makes them focus on their financial future," Kent says.

Single parent Debi Slinger didn't have a job when she divorced five years ago and now owns three investment properties. *Photo: Joe Amao*

She has difficult conversations with some of these clients, talking about how to reduce expenditure and whether the children can continue to be educated privately.

"These conversations can bring people to tears; it's really quite sad and tough," Kent says

Most single parents are women. *Photo: Fertnig*

Back on her feet

Debi Slinger, 56, from Melbourne divorced five years ago. She has three children aged 15, 17, 19.

She had primary care of the children until recently, but now they're living mainly with their father because he lives in a more convenient location for them and she is working full time.

It's becoming more common for dads to be equal co-parents after separation or divorce.

At the time of her divorce, when her youngest child was 10, Debi did not have a paid job though she had worked in training organisations before she had children and holds academic qualifications in business.

"It was a terrible time," she says. When she received her settlement, she thought "this is not going to be enough to retire on".

However, after the initial set-back of her divorce she got back on her feet.

She found her job as a client relationship manager by word of mouth, saying that she had to put herself out there.

"You have to be bold and it's hard to sell yourself when you [feel] kicked in the guts, but I had kids to look after."

With the help of a property strategist, Debi has secured her financial future with three investment properties. She used part of her money from the settlement to pay for the deposits.

"Having a focus when you are single is really important so that you can stay on track," Debi says

"Property is a safe vehicle for me and I have a plan to buy more for the benefit of my retirement; and perhaps I will sell a property to help my children get a foothold on the property market.

"At the time of my divorce, I didn't think I would be in the position that I am in now and it hasn't always been easy."

Solo by choice

While most become single parents after breaking up with the other partner, some women are going into parenthood on their own.

Elisabeth*, 41, from Sydney, was in relationships that broke down. "I got to my late 30s and didn't want to live with that massive regret [of not being a mother]," she says.

The personal assistant has a healthy six-month-old girl after undergoing IVF. She says it is difficult financially, but it's a price she is happy to pay.

"I'm just about to go back to work full time; much earlier than I would have liked and it's purely a financial decision, mostly because of the costs of child care," she says.

"I knew from the beginning what I was getting into. I worked out that I could afford to take six months off; though it has drained my savings to practically nothing," she says.

Elisabeth rents and has had to cut back on lifestyle expenses – she doesn't go to restaurants and drinks instant coffee.

"I haven't taken a holiday since 2010," she says.

While some like Elisabeth are able to plan, others who become separated or divorced can find that they signed up for things with their partners, where the implications only become clear after the relationship ends.

Eyes open

Dianne Charman, a financial planner and founder of Jade Financial Group, says couples need to talk about about money and especially joint debts.

This helps to avoid a "heart-stopping moment" when a partnership ends and there is disbelief that they had ever signed up for this or that, she says.

There are many reasons people avoid talking about finances with partners, but Charman says it can leave them at a disadvantage during the relationship, let alone if it ends.

"They may think that money discussions will lead to tension and that they are not ready for that discussion," Charman says.

They may have other attitudes such as "we're in love and that will solve everything", she adds.

Tidy up

Laura Menschik, a financial planner and director of WLM Financial Services, who was a single parent herself, says it's important to "tidy up" the finances as soon as possible after a relationship breaks-down.

"They may need even more insurance as a single parent," Menschik says.

"I remember one of the things that worried me on becoming a single parent was who was going to look after me if I something happened to me like sickness or an accident."

There will likely be joint debts, where the terms of the loans means each partner is liable for the whole debt if, for some reason, an ex-partner dodges their responsibilities to meet repayments.

There could be joint bank accounts and although it might not be top of mind, there are superannuation and wills to sort out.

While superannuation is held in separate names, it is legally considered a marital asset and balances can be transferred as part of any financial settlement in divorce.

"You need to look at who is the beneficiary of your super fund," says Menschik says, referring to the person nominated to receive the death benefit.

Most couples have each other as the beneficiary, and this is not automatically invalidated by divorce or separation, nor by changing your will.

"Estate planning is another thing to look at, as divorce or separation does not negate a will," she says.

"Look at the provisions for guardianship of the children should the other parent predecease you."

Where to get help

The Australian Government offers many different kinds of parenting payments through Centrelink.

As the payments are income tested and sometimes assets tested, which payments you receive and how much is going to depend on individual circumstances.

The main benefit for many single parents will be the parenting payment, which pays a maximum of $748.10 a fortnight, which includes the pension supplement.

This will be the main income support benefit for most single parents, but there are others payments such as the child care benefit and the family tax benefit, A and B, where eligibility rules and payment rates are too complex to list.

If a single parent re-partners, benefits will likely be affected.

There are also some good support networks for parents. One of the most comprehensive is the government-funded Raising Children Network. It lists all sorts of sources that can help single parents socially, emotionally and financially.