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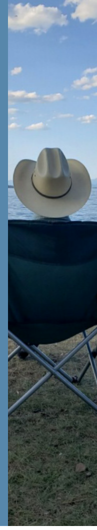
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FAMILY FINANCIAL MANAGEMENT
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Blended Families: Making Financial Decisions

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Many marriages are second marriages for one or both partners and involve minor stepchildren living in the household.

BLENDED FAMILIES ARE FORMED WHEN one or both spouses have children from earlier relationships or marriages. In blended families, the couple may also have children together resulting in a family of "his," "hers," and "ours." While many of these blended families develop spending plans and successfully communicate about their financial goals, others often face additional factors making financial decision-making more complex than in "first-family" situations.

Unlike first marriages, spouses in blended families may come into the marriage with quite different expectations of how finances "should" be managed and how money "should" be spent. Because the divorce rate for couples with children from prior marriages is higher than for first families, discussions about expectations are even more important. Family financial decisions require coordination and communication. There are challenges when the parents have difficulty communicating or have different financial goals.

The dissolution of marriage (divorce) decree in Montana dictates child support and/or financial arrangements. These may include the following:

1. Amount of child support and payment schedule.
2. Who pays medical insurance premiums for children?
3. How are children's medical expenses paid?
4. Amount of spousal maintenance to be paid to a former spouse.
5. Amount of payment necessary to fulfill the property settlement.
6. Who is liable for debts of a former marriage?

The divorce decree cannot be changed without returning to the district court. Montana statutes do not allow child support payments to be reduced simply because a parent decides to have more children in a subsequent marriage.

Money to support children from the first marriage often results in an interaction between the former and current families. Court-ordered joint parenting plans may make contact with a former spouse inevitable. Financial disagreements between divorced parents could happen but having clear communication on finances will help to avoid emotional and financial conflicts.

There may be times when the nonresidential parent (the one the child does not live with full-time and who pays child support) does not feel in control of the financial situation because they do not have a say in how the money is spent. For example, the custodial parent may need to make financial decisions about a child (such as a medical emergency) without consulting the nonresidential parent. Frustrations with the former spouse can be minimized by keeping the relationship as a "business" and focusing solely on the interests of the children.

Sharing a prior marriage divorce decree, especially court-ordered financial obligations, with your new spouse is important. These documents should be read in detail so the current spouse understands the other's financial obligations within the divorce decree. For example, if court-ordered child support payments are not promptly made, the nonresidential parent may be held liable for contempt of court and may have to hire legal defense. If a person chooses to remarry and have more children, their court-ordered financial obligations will still need to be followed.

Another factor making financial decision-making more complex in blended families is the increased number of members with added financial needs and wants to be considered. Relatives may include children from a previous marriage, children of the current marriage, parents, brotheror sister-in-laws, and former spouses and their spouses and in-laws. All these individuals have emotional connections that may complicate financial decision-making in a blended family.

When children are the link between families, they sometimes can become the primary communication route between former spouses. Communication between parents is beneficial not only for the children but also for former and current spouses. The financial situation of one family may be affected by the needs of the other family. For example, the residential parent may request money for a child's unplanned dental work that may be requested at the same time the nonresidential parent is paying for the replacement of the roof on their current home.

A change in the level of living following divorce or remarriage may also lead to hostile feelings. Parents need to remember that divorce and remarriage are stressful and with time, stress will lessen. Families whose members feel connected and who can remain flexible during stressful times are better able to cope with such challenging situations.

Financial Discussion Topics

Individuals in blended families are developing new family relationships at the same time they are learning new roles in the financial decision-making process. Communication about the management of finances is essential. Adequate resources and communication reduce friction, resulting in less tension. For the financial situation to be less stressful, communicating and reaching agreements about spending priorities is important.

The questions below may help open financial communication within the new family unit. Remember that some issues may already have been decided by the district court and listed in the dissolution of marriage decree. Those issues can only be changed by returning to the court and receiving approval from the district judge.

- Will checking and savings accounts be joint or separate? If separate accounts are established, which expenses will be paid from each account? Who makes the decisions about the amount saved and spent?
- Will information be shared about all financial assets and liabilities? If not, why?
- Are there child support payments of the nonresidential parent that have been dictated in the dissolution of marriage decree?
- How will decisions be made about family spending? Will yearly financial spending plans be developed? By whom? How closely will they be followed? For more information, see the MontGuide *Developing a Spending Plan* (MT199703HR).
- Who takes part in setting family financial goals? Under what circumstances do members of the family change the goals?
- For an existing life insurance policy, review the beneficiary designations. Do they need to be changed? If the parents reach a decision to buy a new life insurance policy, who will be covered by it? Who will pay the premiums? Who will be the beneficiary? What provisions will be made for the minor children? See MontGuide *Life Insurance: An Estate Planning Tool* (MT199211HR)
- Are revocable (living) or testamentary trusts appropriate for the family situation? For more information, see the MontGuides *Estate Planning for Parents with Minor and/or Special Needs Children* (MT199117HR), *Revocable Living Trusts* (MT199612HR), and *Testamentary Trusts in Montana* (MT202113HR)
- Who is responsible for "his," "her," and "our" children's health care decisions? How did the court allocate payment of medical insurance between the parents of the prior marriage?
- How will college education expenses for "his," "her" and "our" children be managed?
- Have wills been updated? Who will inherit family heirlooms? For more information, see the MontGuides *Who Gets Grandma's Yellow Pie Plate? Transferring Non-Titled Property* (MT199701HR) and *Wills* (MT198906HR).
- Are retirement benefits reduced by the district court as the result of a qualified domestic relations order (QDRO) from prior marriages?
- Will assets acquired during the remarriage be held in joint tenancy with right of survivorship or as separate property? For further information, see the MontGuide *Property Ownership: Estate Planning* (MT198907HR).
- Will the spouses prepare a premarital agreement? If so, what will be included? For more information, see the MontGuide *Premarital Agreement Contracts in Montana: Financial and Legal Aspects* (MT201212HR).

Successful Strategies

Because money can cause such powerful emotions, there is not one simple strategy to alleviate the financial issues that arise in blended families. Listed below are suggestions from other Montana blended families about how financial affairs can be managed to ensure a sense of security and comfort:

- Discuss feelings about money as well as past experiences with money.
- Schedule meetings for discussing finances. Plan what issues will be discussed. Make every effort to discuss only financial obligations and issues during the allotted time. Keep written notes as a record of what was agreed upon.
- Set financial goals. Each spouse may list their spending priorities separately in descending order, then compare lists. This technique can be very eye-opening. This is a better tool for discussions than debating the situation out loud which can cause tensions.
- During a discussion, consciously use communication patterns that will not provoke anger. For example, when disagreeing with another person, an "I" message such as "I am upset" is much more acceptable than a "you" message such as, "You make me mad."
- Don't assume that you understand your spouse's point of view. Ask for clarification whenever a misunderstanding appears to be developing.
- When communication becomes unproductive, make a special effort to try to negotiate and compromise.
- Consider using separate savings or checking accounts to minimize financial differences between "his," "her" and "our" children. Blended families often manage their finances by using one of the following methods:
  - The "common-pot" approach, in which all financial resources are pooled and then distributed according to need.
  - The "two-pot" system in which partners keep income and accounts separate and each retains control over their individual expenses.
  - The "three-pot" system in which a household account is established for joint expenses with each spouse contributing, while each also has a separate account.

Successful couples do not necessarily stick with only one system. As years go by, a couple may gradually move from a two-pot to a common-pot system, with variations of the three-pot system. Regardless of the system used, both parties must agree on a workable method and cooperate to make the financial partnership run smoothly.

- Reduce the problem of one child within the family receiving more money than another. Communicate with each child from the current marriage and prior marriage about the family's financial situation. Create an awareness of family expenses by having older children add up the monthly expenses for food, housing, clothing, transportation, recreation, and other items. For more information, see the MontGuide *Schedule of Non-Monthly Family Living Expenses* (MT198910HR).
- Consider providing an allowance to the child and making them responsible for some personal expenses. This allows the child to experience the consequences of financial decision-making.
- Discuss and reach an agreement with the nonresidential parent about how to handle financial emergencies and unexpected expenses for a nonresidential child. Telling a nonresidential parent how to spend their money could result in an argument and should be avoided. Talk about feelings with counselors or other blended families in a similar situation; they may be able to provide ideas and techniques that work best for them.
- Talk with the children as they mature about the family's financial situation. Older children need to know about the financial restraints on their spending. This must be done carefully so that the children within the second family do not resent the children of the first marriage. Parents should set an example and tone for the discussion.

While the strategies previously mentioned can be helpful to blended families already formed, the ideal time to discuss money allocation is before the remarriage. Child support obligations, debts and general feelings about money should also be shared. Discuss these issues before remarriage. Individuals can enter remarriage with more realistic expectations. There is no "perfect" way of managing money that will work for all blended families. To achieve financial success in blended families, communication and money management is the key.

Other Resources

Montana State University Extension publishes other fact sheets written to assist blended families with estate planning and financial management. These are available online at www.montana.edu/familyeconomics.

In addition, several other MontGuides related to families and parenting may be of interest. These are available online at store.msuextension.org/Departments/MontGuides-by-Category/HR/Family-and-Human-Development.aspx.

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