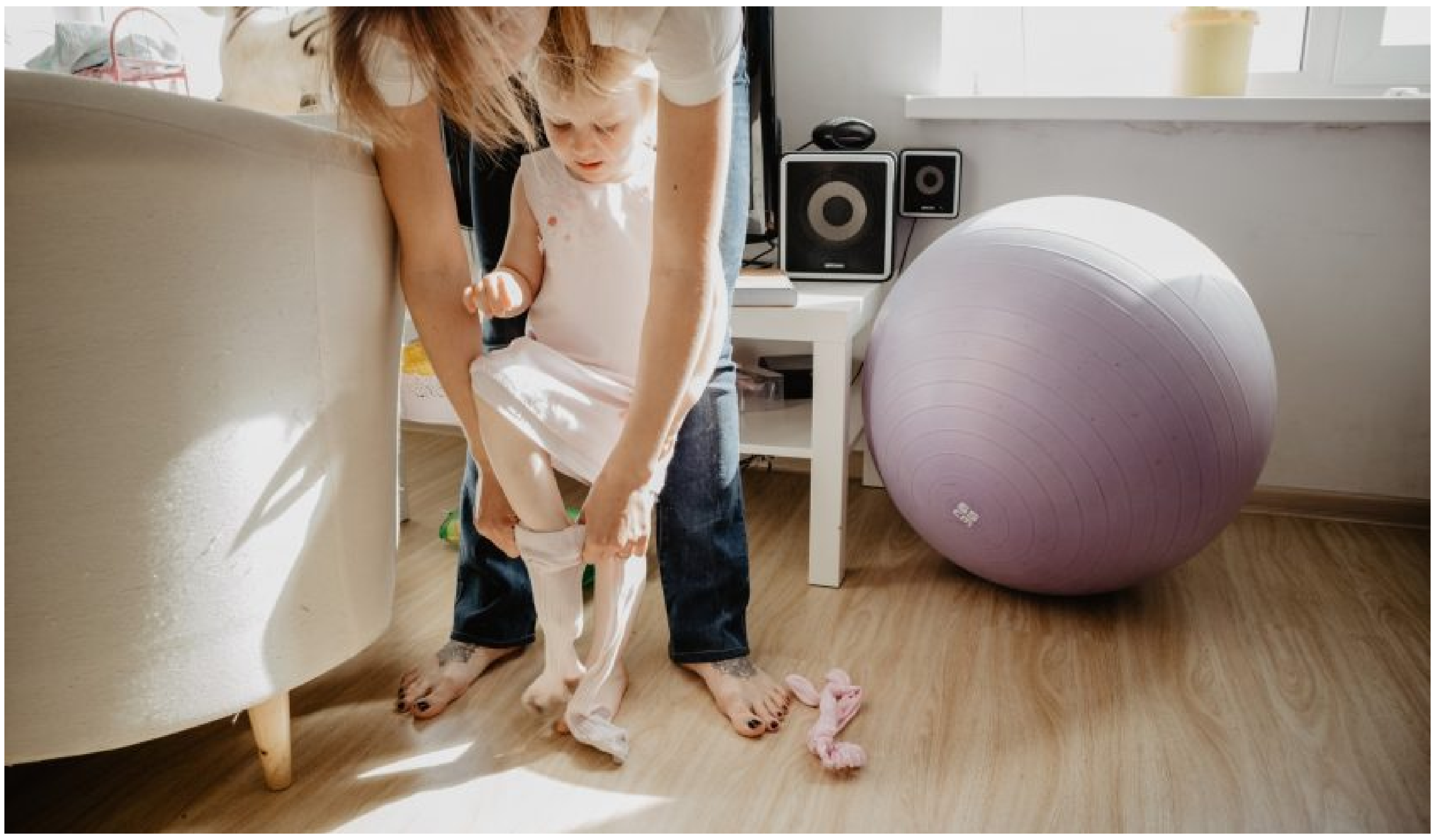
# HOW TO BE A STAY-AT-HOME MOM AND SAVE FOR RETIREMENT AT THE SAME TIME

Beth Braverman | December 4, 2018



SAHMs, you already know that staying home to care for your kids is going to take some money maneuvering, but it doesn't mean you have to abandon your long-term goals.

Read the headlines about the amount opting-out of the workforce costs women over the long term — one recent study by the Center for American Progress found that women forfeit up to four times their incomes each year they stay home, after calculating missed retirement savings and Social Security contributions — and you'd think no one could afford to do it. To that, we say: Bollocks. (And yes, we've been watching a lot of British TV.)

The truth is you can a) take a break from work to raise your kids, b) feed them things more healthy than dollar-a-box mac and cheese and c) save for your long-term future simultaneously. You just need a plan.

## YOUR NEW TITLE: CFO OF THE HOME

Just because you're not bringing home an income doesn't mean you don't need to be involved in your family's short- and long-term financial plans. In fact, stepping out of the day-to-day workforce gives you the time and energy you need to double down. Work with your partner—and potentially a financial planner—to make sure you're on the same page when it comes to your money, both now and looking ahead. Make sure you know where all of your family's money is going. And then, take it upon yourself to clean up your family's act. Eliminate unnecessary spending. Get rid of waste of all sorts (energy, subscriptions you're not using, channels you're not watching.)



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When you re-adjust your family budget to account for the loss of your income, be sure to include a line item that goes toward savings. As long as you've fully funded your emergency fund (you'll see more about that below), you should be making regular contributions toward your own retirement savings. You may no longer have a 401(k) doing the work for you, but you can put it on auto-pilot yourself. Set up automatic transfers, so that you won't have to remember to make the deposit each month.

"Then whatever you have left after that is how much you have left to spend for that month," says Ellen Jordan, a Certified Financial Planner with Bryn Mawr Trust.

## OPEN A SPOUSAL IRA

Even if you no longer have earned income, you can still — hooray — make a tax-advantaged retirement contribution. The vehicle you use to do it is called spousal IRA, which can give you many of the same tax-advantaged savings as a workplace account. As long as you have a spouse that's earning an income, you're eligible to save in a spousal IRA, which you can open via any discount brokerage. This year, you can contribute $5,500 ($6,500 if you're over age 50) to a spousal IRA, and in 2019 that amount goes up to $6,000, or $7,000 if you're over age 50.

## BUMP UP YOUR EMERGENCY FUND

When only one spouse is working, your emergency fund becomes even more important, since you don't have another income to fall back on. Rather than the typical three to six months' worth of expenses, you may want to stash six- to 12- months' worth of expenses in an easily accessible account.

That way, if your spouse loses their job or is unable to work for a period of time, you won't be forced to turn to credit cards or dip into your retirement accounts for cash. Plus, simply having an emergency fund will alleviate some of the stress that comes with living in a single-income household.

## CONSIDER FLEXIBLE WORK

Whether or not to work while raising your children is a personal decision, but as the gig economy continues to grow, there are even more options for women interested in working from home part-time or on a project basis.

"There are lots of options available to stay-at-home spouses that weren't available in our parents' generation," says Cynthia Meyer, a Certified Financial Planner with Financial Finesse. "There are lots of things you can do with professional skills that would let you earn enough money to max out an IRA."

Doing this not only allows you to earn some extra cash to put toward savings, but it would also help keep your resume current. That could make re-entry into the workforce easier in the future, if that's part of your long-term plan.

## STAY ENGAGED

Bottom line: Stay engaged with your retirement plans and your household finances whether you're physically earning the income or not. It's your financial future, too. You also want to make sure that you're equipped to step in and take over, if the need to do so ever arises.

"Sometimes marriages don't last; sometimes health doesn't last," says Jean Mote, a Certified Financial Planner with Arnold & Mote Wealth Management. "If the stay-at-home spouse doesn't know anything about the money, she could find herself completely unprepared."

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