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Should both husband and wife work away from home?

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In many families, whether both husband and wife should work away from home is not a matter of choice. But in many others, the decision may not be so clear-cut. This fact sheet discusses the financial aspects of the decision and provides a worksheet with which to calculate and factor in the net financial benefits of both spouses' working.

A look at the economic consequences

Many families have to decide whether both the husband and wife should work away from home. Although most couples cite economics as the reason for their both working away from home, there are other factors to consider before making the final decision. However, in this MontGuide, only financial aspects will be discussed.

If economic need is the major reason you are considering two incomes, carefully study the amount of money you will make, what you will give up as well as get, and the impact this will have on your family.

What does it cost to work?

There are additional job-connected expenses when both partners work away from home. These expenses vary with the type of work, the kinds of fringe benefits, and whether the work is full- or part-time. Use the worksheet provided on the last page to itemize your job-related expenses. The following information describes typical expenses.

Providing for dependents' care

Probably the biggest, off-the-top expense is child care. How much it costs depends on the kind of care you want for your children. Finding child

care that you can trust, that your child likes and that your family can afford may be the biggest problem facing you as you try to enter or return to the work-away-from-home world. Expenses for child care can be reduced if your children are in school or if another responsible person is home.

Even if you don't have children, you may need to consider care for a dependent relative, such as an aged parent who lives with you. Providing for his or her care during the time you are at work could be a problem. Before you start looking for a job, check into care availability and costs for minor and aging dependents.

If, in order to work or look for work, you pay someone to care for a dependent who is under 15, who is a disabled dependent or a disabled spouse, you may be able to take a tax credit. Internal Revenue Service Publication 503, "Child and Dependent Care Expenses," explains the provision in detail and specifies the yearly credits available. You may download this publication at www.irs.gov/formspubs/index.html or call 1-800-829-3676 toll-free to have the publication mailed to you.

Taxes

Federal and state income taxes take a percentage of any earnings. The percentage taken increases as your

family's income increases. What effect will your income have on the total income tax you and your spouse must pay? Fill in the chart on the back page and use Tables 1 and 2, on p. 2, to estimate the additional federal and state income tax to be paid.

Retirement plans

Many jobs covered by Social Security require that a certain part of earnings be paid toward old age, survivors, and disability insurance. Will your job be covered by Social Security? If so, ask what the tax rate is and figure how much you will have to pay. In 2003, the maximum taxable wage subject to the Social Security tax was \$87,600 and the tax rate was 7.65 percent.

The Social Security tax also provides protection against other economic hazards. For example, if you become disabled, you may be eligible for benefits. To learn about eligibility requirements, contact your Social Security office. The number is listed in the federal government pages of your local telephone directory.

Some jobs are covered by other retirement plans instead of, or in addition to, Social Security. Get the facts from your prospective employer. Ask what benefits you can expect to receive, as well as what you will have to pay.

Table 1. Federal income tax (2003)

— TAXABLE INCOME —		MARGINAL TAX BRACKET RATE
Married Filing Jointly		
\$ 0 to	\$ 14,000	10%
14,001 to	56,800	15%
56,801 to	114,650	25%
114,651 to	174,700	28%
174,701 to	311,950	33%
311,951	<i>and higher</i>	35%
Head of Household		
\$ 0 to	\$ 10,000	10%
10,001 to	38,050	15%
38,051 to	98,250	25%
98,251 to	159,100	28%
159,101 to	311,950	33%
311,951	<i>and higher</i>	35%
Single		
\$ 0 to	\$ 7,000	10%
7,001 to	28,400	15%
28,401 to	68,800	25%
68,801 to	143,500	28%
143,501 to	311,950	33%
311,951	<i>and higher</i>	35%
Married Filing Separately		
\$ 0 to	\$ 7,000	10%
7,001 to	28,400	15%
28,401 to	57,325	25%
57,326 to	87,350	28%
87,351 to	155,975	33%
155,976	<i>and higher</i>	35%

While payments to a retirement plan will reduce the amount of actual take-home pay, it may not necessarily be a job-related expense. Payments made for Social Security and other retirement plans build toward retirement income. A job retirement plan may also be a forced savings if part or all of the amount deducted is refunded if you quit the job.

Union or professional dues

Will you need to pay union or professional dues? Some jobs require that you join these groups and pay dues.

Office collections

Some offices buy gifts for co-workers who leave the job, retire, get married, or have a baby. Many also send flowers or other forms of condolences when a family member of co-worker dies. There may be a “courtesy fund” set up to cover these and other expenses. In any case, remember you may have to contribute occasionally.

Added household expenses

Household operating expenses could also increase. You may eat more meals away from home. If housekeeping duties are not shared by family members, you may need to hire outside help. This can mean a higher outlay from the family budget for cleaning products or services, such as dry cleaning and commercial laundries.

Health insurance

Compulsory health insurance may be an added expense if you already have protection through other policies. If you do not have health insurance, the family health protection that another job contributes may be worth the cost. If the health insurance provided by your employment is not needed, it should be listed as an expense on the worksheet.

Transportation

The cost of getting to and from the job is another job-related expense to consider. This cost won’t apply if you live close enough to walk or if your spouse

Table 2. Montana income tax rates (2002)

If taxable income is...			
over—	but not over—	multiply by	and subtract = tax
\$ 0	\$ 2,200	x 2%	\$ 0
2,200	4,400	x 3%	22
4,400	8,700	x 4%	66
8,700	13,100	x 5%	153
13,100	17,400	x 6%	284
17,400	21,800	x 7%	458
21,800	30,500	x 8%	676
30,500	43,500	x 9%	981
43,500	76,200	x 10%	1,416
76,200	<i>and over</i>	x 11%	2,178

Source: Montana Individual Income Tax Booklet, 2002
<http://discoveringmontana.com/revenue/css/default.asp>

drives to work and can drop you off without going out of his or her way.

The cost can be figured easily if you will be riding a bus, taking a taxi, car pooling, or making some other arrangement where you pay a set fare for each ride.

If you will be driving the family car, charge yourself with a fair share of the expenses. Be sure to include depreciation, license fees, insurance, repairs, washing, gas, oil, lubrication, and other expenses that apply.

Buying another vehicle means another payment or dipping into family savings. You will have to add the entire expense of the second vehicle if you use it for work only. In some cities parking fees add to the cost of work away from home.

Clothing and personal care

Do you have enough suitable clothing for the job away from home? If the job requires some major purchases, such as uniforms, add that cost. Additional expenses include cleaning and maintenance of your work clothes. Additional costs for hair care and grooming supplies are added expenses for many couples who work away from home.

Meals and coffee breaks at work

Will the job cause you to eat more meals away from home? Can you “brown bag” it, or will you eat at a restaurant? The United States Department of Agriculture found in a nationwide survey that families in which both adults work away from home spend more for groceries. Some authorities believe that families in which both husband and wife work spend 10 to 15 percent more on food than families with only one working adult. Two-income families also rely more on prepared foods, which may cost more but take less time to cook.

Unless you plan to go home for lunch or carry a lunch from home, add an allowance for meals at work. Make your best estimate of what the kind of lunch you usually eat will cost in a restaurant or cafeteria. However,

this cost is not all added expense since it would cost you something to eat at home. Don't forget coffee breaks—they will probably cost extra. Be sure to include your share of the coffee fund. If you prefer juice or pop, add that cost as well. Don't forget to include snack costs. Even a dollar a day adds up.

Compare income, benefits

Before making a final decision about a job, compare your net income from several different jobs and from full- and part-time jobs. Working part-time may eliminate the need for child care if work hours can be tailored to your child's school day. Some expenses, such as lunches and household help, may be reduced by working part-time. However, other expenses, such as transportation and special clothes or tools, may take a larger proportion of your income when you work only part-time. Often, employee benefits—paid vacations, health insurance, and pension credits—are not extended to part-time employees.

Using the other income

Most adults work because they need, or desire, more money. How the money is used is an important factor in how well the family functions. Good money management can give you some of the things you want; poor management could break you up financially and even maritally.

Planning to live on both incomes may be a satisfactory choice if one spouse is just starting his or her career and expects the family income level to rise in the next few years. If the second job is viewed as temporary, decide how much your spouse will have to make before you can quit, then contribute enough of your salary to the “general fund” to equal that amount. Another option is to cut back on hours as your spouse's salary goes up. That way, if you choose to quit, you can without causing a financial crisis. Lowering

one's standard of living is difficult to do and may cause strain on a marriage. If you stop working and have to cut back on your style of living, severe problems could result unless you have planned for the change.

Living on both salaries may be a satisfactory choice if both spouses plan to work indefinitely. In some cases, one spouse works to pay off debts. These debts may have been accumulated as a part of the family spending plan. For example, a family may go into debt for education, a home, or something else that will still be valuable long after it has been paid for.

Emergencies, such as sickness, accident or loss of work, may cause a family to be in debt. Another reason families may have debts is unwise planning or lack of planning. Using the second earnings for special purposes, such as savings, buying a home, furniture or equipment, a car, or having a baby, can be a form of financial goal setting.

Summary

This MontGuide has focused on the *economic* aspects of working. But adults work for reasons other than money.

Consider what you will give up as well as what you get.

- Will the amount of money you make satisfy your reasons for going to work?
- Can you do what you expected to do with the extra money?
- Will the money compensate for the necessary family adjustments?
- Are there long-term benefits that have not been evaluated; for example, increased Social Security benefits, retirement income, improved insurance protection?

The decision for you to work away from home is a family decision. Make your decision after taking a close look at how it will affect your family economically and socially.



Go to—www.montana.edu/wwwpb/pubs/mt8902.html

Worksheet for estimating net income from work away from home

GROSS INCOME \$ _____

Yearly expenses resulting from job—

a. Deductions

Taxes \$ _____
 Social Security _____
 Insurance _____

Total a \$ _____

EXPENSE
TOTALS

Total a \$ _____

b. Expenses for specific job

Special work clothing \$ _____
 Dues _____
 Professional publications _____
 Business meetings _____
 Tools _____
 Licenses _____
 Other: _____

Total b \$ _____

Total b _____

c. Transportation

Licenses \$ _____
 Insurance _____
 Upkeep _____
 Parking _____

Total c \$ _____

Total c _____

d. Family Expenses

Dependent care \$ _____
 Household help _____
 Laundry _____
 Meals out _____
 Other: _____

Total d \$ _____

Total d _____

e. Personal Expenses

Lunches \$ _____
 Clothing _____
 Personal care _____

Total e \$ _____

Total e _____

f. Other Expenses

Coffee breaks \$ _____
 Contributions, gifts _____

Total f \$ _____

Total f _____

Total yearly expenses - \$ _____

Net income (gross income minus yearly expenses) \$ _____

Benefits from job—

Insurance \$ _____
 Social Security _____
 Paid vacation _____
 Retirement benefits _____
 Other _____
 _____ \$ _____

Total value of benefits + _____

TOTAL INCOME (Net income + benefits) \$ _____

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