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

Unlike first marriages, spouses in remarried families may come into the marriage with very different expectations of how families "should" function, how finances "should" be managed, and how money "should" be spent and on what. Because the divorce rate for remarried couples with children is much higher (60 percent) than the rate for first families (43 percent), discussions about expectations are even more important. Family financial decisions require coordination and communication. The challenge is intensified when parents have difficulty communicating and when they have different financial goals.

The dissolution of marriage (divorce) decree dictates some financial arrangements. These may include amount of child support and payment schedule, who pays medical insurance premiums for children, how the children’s medical expenses are paid, amount of spousal maintenance to be paid to a former spouse, amount of payments necessary to fulfill the property settlement, and who is liable for debts of a former marriage. The 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 provides a link between the former and current families. Court ordered joint parenting plans may make contact with a former spouse inevitable. Disagreements between a husband and wife about money before a divorce may continue. Feelings of guilt, competition for the children, power struggles over time spend with nonresidental parent, and attempts to substitute money for time with the children can provide fertile ground for emotional conflicts.

Often the nonresidental parent (the one the child does not live with full-time) does not feel in control of the situation because he/she must pay child support but does not have a say in how the money is spent. The custodial parent may need to make financial decisions about a child (a medical emergency, for example) without consulting the nonresidental parent. The nonresidental parent may then be faced with paying substantial expenses without being involved in the original decision. These potential frustrations and resentments can spill over to the remarried couple and influence their family relationships. Frustrations with the former spouse can be minimized by keeping the relationship as a "business" and focusing solely on the interests of the children. For more information on working effectively with a former spouse, read the MSU Extension MontGuide Co-parenting After Divorce (MT200111HR).

There are instances where the nonresidental parent does not pay child support. This can provide added tension in the remarriage as well as with the former spouse.

If court orders from a previous marriage have not been shared prior to remarriage, the new couple should reveal them, as well as any undisclosed debts. Documents should be read in detail so each spouse understands his or her respective financial obligations. If court-ordered child support payments are not made, the nonresidental parent may be held liable for contempt of court and may have to hire legal defense. If a person chooses to remarry,
have additional children, and take on additional financial responsibilities, that is his or her decision, but the district court will continue to hold him or her to previous financial court-ordered obligations.

Another factor that may make financial decision-making more complex is the increased number of family members with additional family rules, values, emotions and financial needs and wants to be considered. Relatives may include children from a previous marriage, children of the current marriage, parents, brother or 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 remarried family and make the process more time consuming.

When children are the link between families they sometimes can become the primary communication route between former spouses. Parents may avoid potential financial "comparisons" by reminding their children that families have different levels of income and spend money differently. Communication between parents is beneficial not only for the children, but also for former spouses. The financial situation for one family may be affected by the needs of the other family. For example, money for a child's unplanned dental work may be requested by the nonresidential parent at the same time the nonresidential parent is paying for replacing the roof on his or her current home.

A change in the level of living following divorce or remarriage may lead to hostile feelings for the family who sees itself as having less. During such times, parents need to remind themselves that divorce and remarriage are stressful and with time, the stress will lessen. Families whose members feel connected with one another and who can remain flexible during times of stress are better able to cope with such challenging situations. For more information on managing stress, see the MontGuide Handling Challenging Times (MT200210HR).

Financial Discussion Topics

Individuals in remarried families are developing new family relationships at the same time they are learning new roles in financial decisions. New relationships and new roles take time to work out. Communication about the management of finances is essential. Not surprisingly, research studies show higher income is related to better family functioning in remarried families. Adequate resources reduce friction, resulting in less tension for both adults and children. If the financial situation tightens, tension and conflict may increase. The fewer the resources, the more communication and effort are needed to reach agreements about spending priorities.

The following questions about important financial topics may help open communication within the new family unit. Keep in mind some of the issues may already have been determined by the district court in the dissolution of marriage decree and 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?
- If children are present from past marriages, how did the court allocate payment of childcare expenses?
- 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 (MT1999703HR).
- What types of purchases will be bought on credit?
- Who participates in setting financial goals? Under what circumstances can the goals be changed?
- For an existing life insurance policy, review the beneficiary designations. Do they need to be changed? If the decision is to purchase a new policy, who will be covered by life insurance? Who will pay the premiums? Who will be the beneficiary? What provisions will be made for the children?
- Are 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 (MT199917HR), and Revocable Living Trusts (MT199612HR).
- 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 handled?
- Will "his", "her" and "our" children receive an allowance? If so, how much? What expenses are the children's responsibilities?
- Have wills been updated? Who will inherit family heirlooms? For more information, see the MontGuides Who Gets Grandma's Yellow Pie Plate (MT199701HR) and Wills (MT198906HR).
• Are retirement benefits reduced 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 (MT198907HR).

• Will a premarital agreement be prepared? If so, what will be included? For more information, see the MontGuide Premarital Agreement Contracts in Montana (MT201212HR).

Successful Strategies

Because money has such powerful emotional overtones, especially in remarried families, and because there is no single type of remarried family, there are no absolute or simple solutions. Listed below are suggestions from Montana remarried 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 will be discussed, then treat the meeting seriously. Make every effort to stick to money business during the allotted time. Keep written notes as a record of what was agreed upon.

• Set financial goals. Have each spouse list separately his or her spending priorities in descending order, then compare lists. This technique can be very eye-opening and a better tool for discussions than a verbal battle in which one person can be seen as attacking or defending a certain position.

• While in the midst of 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.” For more information on ideas about approaching sensitive topics such as family finances, see the MontGuide Positive Family Communication (MT200916HR).

• Don’t assume that you understand your spouse’s point of view. Ask for a clarification whenever a misunderstanding appears to be developing.

• When positions appear polarized; make a special effort to negotiate, striking a compromise where each spouse gives and takes a little and neither loses face.

• Consider using separate accounts, with joint planning, to minimize financial differences between “his,” “her” and “our” children. Remarried 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 his or her 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 the continuation of a marriage becomes more assured, a couple may gradually move from a two-pot to a common-pot system, with variations of the three-pot system tried during the transition. Regardless of the system used, both parties need to agree on a workable method and cooperate to make the financial partnership run smoothly. This means they need to decide how financially independent each spouse is going to be.

• Reduce the problem of one child within the family receiving more money than another. Communicate with each child about the family’s financial situation and payments made by the nonresidential parent. Create an awareness of family expenses by having older children add up the monthly expenses for food, housing, clothing, transportation, recreation, and other items.

• Consider providing an allowance to the child and make him or her responsible for some personal expenses. This provides the opportunity for the child to experience the consequences of financial decision-making.

• Discuss and reach an agreement with the nonresidential parent about the handling of financial emergencies and unexpected expenses for a child.

• Do not tell the nonresidential parent how his or her money should be spent.

• Talk out feelings with counselors or other remarried families in a similar situation; they may be able to provide ideas and techniques that work for them.

• Talk with the children as they mature about the family’s financial situation. Very few families have the finances to maintain the accustomed standard of living when there are two households to support. 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 set the example and the tone.

Summary
While the strategies previously mentioned can be helpful to remarried families already formed, the ideal time to discuss money allocation is prior to the marriage. The MontGuide Premarital Agreement Contracts in Montana (MT201212HR) may be helpful. Another way for couples contemplating remarriage to avoid financial clashes is to develop a tentative budget or spending plan. For more information about budgeting, see the MontGuide Developing a Spending Plan (MT199703HR).

Child support obligations, debts and general feelings about money should also be shared. Discussing these issues prior to the marriage will not necessarily make the problems go away, but at least it brings them out in the open. Then individuals can enter into a remarriage with more realistic expectations.

Money is a powerful force in our society, and money’s effect on the success of the remarriage should not be underestimated. There is no “perfect” way of managing money that will work for all remarried families. To achieve financial success in remarried families, communication and money management must be combined.

Other Resources
Montana State University Extension publishes other fact sheets written to assist remarried families with estate planning and financial management. These are available online at www.montana.edu/estateplanning and www.montana.edu/extensionecon/familyeconomics/financialmgtpublications.html.

In addition, several other MontGuides related to families and parenting may be of interest. These are available online at www.msuextension.org/health/msumontguides.html.

References