
FAMILY LAW RIPPLES

"A pebble drops, transforming the lake"



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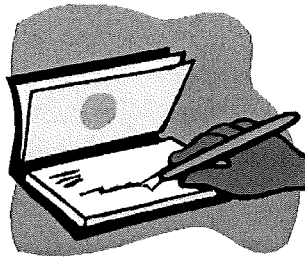
About Family Law Ripples

"Ripples" is a bi-monthly publication focused on legal matters affecting families. It promotes responding to family change with an eye to cooperation, connection and positive values.

Budgets 101

Whatever you believe is the true meaning of end of the year holidays, they surely should not mean more financial stress in the New Year because of overly indulgent over spending. Focusing on income instead of desires and wants can help keep holiday spending on a budget. It can also help parties understand their monthly budgets in a divorce proceeding.

As a practical matter, it is family to maintain two was for it to pay the expenses parties and/or the Court is spent during the marriage adjustments necessary, given



often more expensive for the separate households than it of one. The task facing the balancing what the parties with the reasonable that the divorce is occurring.

Frequently, that balancing relies in part on projections of post-divorce income and expenses. Neither the Court nor the parties can resolve the problem of going in the red without either (1) increasing total family income or (2) reducing expenses.

For many families, it is helpful to use a five column spreadsheet with (from left to right), the expense item, the amount spent during the marriage, the projected amount for one spouse, the projected amount for the other spouse, and the expenses directly attributable to the children. This type of spreadsheet allows easy comparison of the parties' relative circumstances in the context of the prior standard of living.

Sometimes it is also helpful to analyze budgets from several different perspectives, to-wit: core expenses, financial commitments, past history, and projected expenses.

Core expenses. In this analysis, a party would identify those expenses that are absolutely essential. For most people, those expenses are housing, basic utilities

Financial commitments. This perspective starts with those expenses that are defined by financial commitments already made. Typically, these expenses include a mortgage payment, a car payment, cost of medical insurance and other insurances, debt payments. Most of these expenses are created by some type of contract, have consequences if payments are not made, and have an end date. Typically, the amount of the payment is set by the contract and the party has no discretion as to how much is due.

Past history. Check registers, credit cards, and habits of using cash provide valuable information on what the family purchased in the past and how much they spent. This analysis will usually take a party beyond the core expenses and expenses set by contract and give the party some idea of how much of the monthly income was spent on discretionary items – things that are extra for the family – and that often set the standard of living for the family.

Projected expenses. After a family separates into two households, it is very common for levels of expenses to change, for new expenses to be added or for some old expenses to be no longer applicable. A party who has had an opportunity to live separately for a period of time usually has a better idea of their projected future expenses than one who is still living as a family. A party who is living in an obviously temporary situation, such as living with a sibling or renting a room, may also have some difficulty projecting expenses. When there is no idea of a party's ultimate financial obligations, that party may also have some difficulty projecting future expenses, and will need to do some research to generate approximations for a budget.

Each of the above analyses can help the parties generate realistic budgets for the future, and also evaluate how much they (or you) have to spend in a given situation, such as the holidays.¹

In the Media



The internet has many good ideas for inexpensive but fun holiday parties, decorations and gifts. Take for instance this website which has instructions for making three-dimensional stars, an old Pennsylvania Dutch custom: [www. highhopes.com/3dstar.html](http://www.highhopes.com/3dstar.html). Combine it with a German chocolate cake, holiday songs to sing in German and you have a full afternoon or evening for adults and/or kids.

Wishing you the best of the holiday season!

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¹ Adapted from an article first appearing in the May-June 2004 issues of Family Law Ripples.