

* I want to become a stay-at-home mom. Can we afford it?

Congratulations on taking a proactive approach to your family's financial well-being! Planning now may save you serious fiscal discomfort later.

Assess your situation

First, know that you can't maintain a two-income lifestyle on one income. (Too many families make up for the shortfall with credit cards or by relying on a home equity-secured line of credit – moves that will severely diminish quality of life for years to come.)

Next, if your total debt payments are more than 40 per cent of your net household income, you must address that before you give up your job.

Try living on just your spouse's income for six months and bank your salary. This will give you an understanding of the financial impact of your decision, and you'll end up with a nice chunk of change. Note: because working actually costs money, the benefits will be amplified if you do stay home.

Tax benefits

If you give up your income, your spouse will be able to deduct you as an "eligible dependent," reducing the tax you pay as a family. Currently, the tax credit for a stay-at-home spouse in Ontario is about \$1,100. Dig out last year's returns and calculate your spouse's taxes as if he or she were deducting you as an eligible dependent.

Cut spending

Now that you have a good idea of your new household income, look at your expenses for the past year. Take a red

pen to everything you could have lived without. (Do you really need that expensive lawn-care service?)

Also, you can eliminate "convenience" expenses, such as prepared food, takeout dinners and wash-and-fold services. Don't be unrealistic, however: include money for the occasional, vitally important date night or treat.

Expect a little give-and-take

Beyond cutting extras, you may have to make some major trade-offs. For one client, staying home meant giving up one of two family cars, something she'd never imagined doing even before she had two little ones to haul around.

Still, by the time you add up the tax benefits and snip the costs of daycare, transportation, etc., you may find you saved more money than you thought. Chatelaine's stay-at-home calculator is a great place to begin. Go to www.chatelaine.com and click on Work & money.

After the bottom line, of course, the most significant element in the decision process is your spouse's support. If either one of you is reluctant to give up the benefits of two incomes, staying home may be a difficult experience. But if you're realistic and in it together, you'll find a way to make it work.



Financial expert

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