

The Parent Trap

Two children, two incomes, a home with a white picket fence; it's the quintessential American Dream. However, this American Dream has morphed into a survival regimen that many families simply cannot endure.

Parents are in worse economic shape than ever before. Bankruptcy & parents, bankruptcy articles, bankruptcy information from bankruptcy attorneys, Chapter 7 & Chapter 13. Legal Helpers Bankruptcy Lawyers, largest U.S. bankruptcy law firm. Receive an online consultation. Having a child is the best indicator of whether someone will end up in financial collapse, according to the authors of recently published book, "The Two Income Trap," by Elizabeth Warren and Amelia Tyagi. The authors maintain that the introduction of mothers into the workforce, rather than easing the financial strain of raising a family, sets their families up for financial disaster as the cost of raising children spirals out of control. More children will go through their parents' bankruptcy than their parents' divorce. One in seven middle-class families will file bankruptcy by 2010. These figures are staggering for middle class families.

At first glance, that argument seems counterintuitive. Two incomes ought to create a larger financial cushion than a single income. The modern two-earner family brings in 75% more inflation-adjusted income than the traditional one-income family. Yet, families today have less discretionary income than the traditional one-income families for a variety of reasons.

The decline of public education has raised housing costs in good school districts, prompting parents to overextend on mortgages. Couples with children are spending more on housing than ever before. At the same time, the free-wheeling, unregulated lending industry resembles a carnival sideshow with lenders assuming the role of "carnival barkers;" step-right-up folks we'll finance 120% of the purchase price of that home for 3% down. Families are spending themselves into financial collapse. The lending industry has buried American mailboxes in a tsunami of 5 billion pre-approved credit card offers in 2003.

This perilous situation is compounded by the fact that married couples with children work in an era of unprecedented job insecurity, where employers regularly slash salaries and insurance benefits. The rates of the medically uninsured are increasing, the cost of healthcare is through the roof and families are more likely to be caring for elderly

parents. In fact, nearly 90% of families with children who file bankruptcy cite three reasons: job loss, medical problems, or divorce, according to the Harvard University Consumer Bankruptcy Project.

Having children is a leap of faith, rather than a cold, hard economic calculation. However, many families may not have the financial capacity to land safely on the other side.

Source: "The Two Income Trap," by Elizabeth Warren and Amelia Tyagi.