

Having Children and Money

Having a child is a major event in your family and for your finances. As you prepare for being a parent, be sure to consider the financial impact that a child will have. The additional costs of buying diapers and baby food may not seem too significant, but just wait. In 2013, the US Department of Agriculture estimated that the cost of raising a child from birth to age 18 was over \$241,000, and that did not include the costs of college. Luckily, the costs in early years are lower giving you time to build the costs into your financial plans.

Issues to consider

1. Build some financial reserves before the birth. Nature gives you and your baby nine months to prepare for the birth. Once you know you are going to have a baby, make sure to save some additional money. It will be easier to cover those diaper costs if you do not have to worry about having money available. Some extra money in a savings account will help reduce the stress of this exciting time.
2. Check your medical insurance. If you do not have medical insurance, buy a policy before you become pregnant. Some policies require three or more months of coverage before the start of your pregnancy. Other policies limit the amount they will pay, so be sure to check the terms of your policy.
3. Check your employee benefits. Many companies have provisions for paid leaves for pregnancies for both the mother and the father. You may even be able to combine vacation days and sick days to maintain your income for a few extra weeks before returning to work.
4. Review your life insurance coverage. You are going to have an additional person in your family that is dependent on your income. If you do not have life insurance, now is a good time to get it. If you have coverage, consider increasing it to recognize the additional financial responsibility you will have. Many companies offer inexpensive life insurance coverage as part of their employee benefit program, and there are inexpensive term policies available from many life insurance companies that you may want to explore.
5. Talk to your employer. Be sure to know your employer's maternity leave policy and talk with your supervisor so the appropriate planning can be done.
6. Write or revise your will. Even if you do not have substantial assets, a will is necessary at this time. The will can designate guardians in case you and your spouse are unable to take care of the child. You should also use this time to create a power of attorney for health care issues. This document will spell out the type of

care you will receive in case you and your spouse are unable to make those decisions.

7. Consider how you are going to handle child care. If you plan to stay home with the child and not return to work, you will have less income. If you plan to use a day care center, it will cost money. In either case, investigate your options and do some financial planning before the delivery of your child.
8. Start saving for college. College is expensive and the sooner you start saving, the easier it will be. Once the child is born, you may want to apply for a Social Security number and open a savings account for the child. It can be a convenient place to transfer some money and if you make your family and friends aware that the baby has an account, maybe you will get gifts of money instead of another picture frame or baby outfit you do not really need.