

Stork Funding

Financial Planning for a New Child

In March 2015 my husband and I welcomed our first child. I had a lot of fiscal responsibilities the months leading up to the arrival of our daughter. I was a business owner, the CFO of our family and the trustee of a deceased family member's estate. I knew that I would have to create the space to focus on my newborn if I wanted to transition into parenthood with ease and grace. And, because of my numerous commitments, this would require me to do a lot of financial planning.

In this article, I share what worked for our family in hopes that it will create ease in the lives of other new parents, whether that be you or your clients with plans to grow their families.

Start Saving Years in Advance

The best advance planning you can do to prepare for the arrival of a child is to save, save, save. According to the USDA, the average cost of raising a child born in 2014 is more than \$250,000. Children are one of life's greatest gifts—as well as one of our greatest financial commitments.

Years before our daughter was born I created a separate savings account, named "Baby Savings." I set up an automatic transfer so money was funneled in to the account monthly. We never missed the cash in the short term and over a span of several years the account grew to several thousand dollars.

Once we were pregnant, we had a nice cushion to offset medical co-pays and the costs—which add up quickly—to get our home ready for baby. While I had a healthy pregnancy, I went to the doctor's office twice per week near the end. We also had to transform a home office into a second bedroom with room for baby and space for family members who planned to come and help. Since my husband and I both work from home, we were able to use some of the



funds to offset the costs of renting an office outside of our home.

We couldn't have predicted all the expenses we incurred to prepare for our new family member. Overall, this cushion proved to be very helpful. Saving for years in advance meant we didn't give birth to any debt in the process. Like many American families, I was faced with months of unpaid maternity leave, yet I didn't feel an overwhelming amount of financial pressure. This allowed us to take more time off of work and be with our newborn child.

The Year Before

One of the first lessons of parenthood is that your schedule is no longer your own. While many medical advances have been made, we still cannot precisely pinpoint when a child

will be born. Some come early, others late. And any parent will tell you that those first few months of parenthood are a blur of little sleep, lots of feedings and diaper changes. I anticipated that life with a newborn would leave me not feeling unsure of what day it was, let alone if a bill was due.

To that end, I started my action plan with the end in mind and aimed to have all of my tasks completed one month before our due date. Like many people, many of my recurring bills are on automatic payments, but I still had a few items, like property tax bills, that could not be automated. Anything that required a handwritten check was paid for months in advance or I pre-paid for an

entire quarter.

Remember that savings account for preparing baby's arrival? If you didn't set one up, I recommend you do start an account before baby is born. In lieu of baby gifts, some people generously gave us cash. We segregated any gifts into the spare account and later were able to easily transfer cash gifts to a college savings plan.

Once Baby Arrives

Now that our daughter is here, I'm still working on critical aspects of our financial plan. We worked with our financial adviser to select and establish an education savings plan and I hired a budget coach to keep me accountable with our spending and savings goals. Even though I'm a CPA and a certified coach, I need this help! In the early months of my daughter's life I made a new budget that accounted for all of her new expenses. But then the baby budget sat on my hard drive gathering electronic dust.

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I now meet with our budget coach monthly to review how we spent our money and keep myself accountable to the financial goals we

estate, I cannot underscore enough how important this is. There are both the financial matters to plan for and custodial issues. Should

can be with their newborn. But don't overlook the importance of sound financial planning. Doing so will get a family off to a happy and healthy start—as well as lay the foundation for the many happy memories to come. 

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established for our family. Time becomes scarce when you have a baby, so I highly recommend setting up some type of structure to keep your financial goals moving forward.

Lastly, think ghastly. My husband and I purchased life insurance, so if anything happens to either of us, the surviving parent will have the resources to care for our daughter without worrying about loss of income. Also, we're hiring an estate planner. Now that I'm an experienced trustee of a family member's

my husband or I pass away, who will care for our daughter? Matters like these aren't fun to envision, but planning for your child's future is part of parenthood.

In Summary

There's a lot of work that goes in to preparing for a baby. Expectant parents spend hours talking about names, research what gadgets to buy, take classes to prepare for the child's birth and create space in their work lives so they

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