



## Practical financial planning for parents-to-be

By Nathaniel Sillin

Planning for a baby is exciting and sometimes a little frightening for expectant parents, especially first-time parents. The months will fly by and soon you'll be at home embarking on an adventure along with the newest member of your family. Welcome to the excitement, exhaustion, fascination, bewilderment and love that is parenthood.

Along with the joy and fulfillment that a new baby brings, you'll have new financial responsibilities. Some costs are unavoidable, while others may largely depend on your discretion. Sticking to a financial plan could help you provide wonderful opportunities and experiences for your child while keeping your family's costs under control.

**Preparing for the cost of birth.** Paying down debt, creating a new budget, building an emergency fund, setting up automated personal finance software and reviewing the beneficiaries on your accounts could all be on your pre-birth checklist. You might not have the time or energy for these tasks once you're a parent.

You'll also want to review your health insurance policy and get a clear understanding of your coverage during prenatal care, labor and delivery. Affordable Care Act (Obamacare) and Medicaid plans always cover pregnancy and birth, but copays, coinsurance, deductibles and maximum out-of-pocket amounts can vary. You might not be covered at all if you have a grandfathered plan.

You can change to a new Marketplace plan, and add your child, after the birth as you'll be eligible for a Special Enrollment Period.

**Saving money during the first few years.** As you adjust to life as a new parent – sleepless nights, bath times and diapers galore – you'll likely be tempted by a wide range of childcare products. Some are necessary, but there are many ways to save on everyday infant purchases.

Ask at the hospital, research online and check with pediatricians for free childcare samples. They may not last long, but having a stockpile of various sample-size products can come in handy. Also ask about a free breast pump, which you may have a right to with an ACA healthcare plan.

Consumables, such as formula, diapers and wipes, can be bought in bulk at warehouse stores or shipped to you via a subscription from an online retailer. Either option could provide long-term savings compared to buying as you go.

**Discuss childcare options.** Some families need the income from two working parents, others can choose to stay at their job or become a full-time parent.

Weighing the pros and cons of leaving work can be difficult as you'll want to consider a variety of ancillary costs and benefits. In the end, the decision may not be entirely financial. You could value extra parent-child time over a second income, even if it means living with a tighter budget. But even if you're unsure of daycare, you may want to sign-up for local centers' waitlists now because it can take years to get a spot.

**Plan for the worst-case scenario.** As a parent, you're responsible for the wellbeing of your child. Now may be the time to prepare or revise a will and consider appointing a guardian. Also, if you don't have life insurance, this is a good time to start shopping for a policy. If something happens to you, life insurance can help provide financial support for your child in the coming years.

Whole or permanent life insurance policies will cover you for as long as you pay your premium while term life insurance covers you for a specific period, such as 10 or 20 years. Premiums on term policies may be lower than on whole life insurance, and this could be the better option if you're only looking for coverage while you support your child.

Bottom line: A new child will bring great joy to your family, and when wants or needs arise, you will want your finances to be in order. Whether you're early in the planning process or already expecting, it's never too early to prepare for the cost of raising a child. After all, a new addition to your family is the best gift and the start of an amazing adventure.

Nathaniel Sillin directs Visa's financial education programs.

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