

Having a child can be one of the most rewarding and exciting times in your life. There is so much to look forward to! However, it is no secret that there is significant preparation needed before your child arrives. Use the following guidelines while you work with a CERTIFIED FINANCIAL PLANNER™ practitioner so that you are prepared to welcome your new bundle of joy.

## Plan for Parental Leave

Chances are, one or both parents will be taking some time off work when the baby arrives. In most cases, this results in at least a portion of the time being unpaid. Set money aside before the big day, so you are prepared to meet your financial obligations during the time that you are not receiving a paycheck.

## Update Your Budget

Your new baby will bring you joy, but also new expenses. According to the U.S. Department of Agriculture, the average cost to raise a child is estimated to be over \$230,000. When you add up the costs of formula, food, clothes, diapers, and child-care, this figure should come as no surprise. Be prepared for these additional expenses and factor them into your budget.

## Revisit Your Emergency Fund

Even with all your preparation, there are going to be some unexpected expenses that arise. Now more than ever, it is essential that you have an emergency fund. Your emergency fund should be held in a separate savings account, so you are not tempted to dip into it regularly. The recommended savings amount varies by each individual's situation, but three to six months of your living expenses is a good place to start.

## Update Your Health Insurance

Adding a dependent to your health insurance coverage can dramatically increase the premium. Before having your child, you should compare the cost and budget for the increased premium. Once your baby arrives, you will want to add them to your plan immediately. Often, there is only a small window of time after a life event that you can make changes to your benefits. It is imperative that your child is covered should they need to see a doctor early on.

## Update or Create Your Will

A will allows your assets to be passed on based upon your wishes. It is not prudent to allow assets to be directly inherited by a minor. A will enables you to put restrictions in place for how and when a child will receive their inheritance. More importantly, you can use a will to name who you wish to be the guardian of your child. Not only does this ensure your child will be raised by who you see most fit, but it will prevent interfamily custody battles.

## Update Beneficiary Designations

Did you know accounts with beneficiary designations circumvent what is specified in the will? It is vital to verify your beneficiary designations work in conjunction with your will and remain in line with how you would like your assets to pass. One of the most common mistakes is creating a trust for minors in



your will but listing a child directly as the beneficiary, consequently, making the trust irrelevant.

## Review Your Life Insurance Coverage

You are the provider for your new child, and that means if the unexpected happens too. You may need additional life insurance coverage to provide for your child in the event of premature death. Have your CERTIFIED FINANCIAL PLANNER™ practitioner run a life insurance analysis to verify that you have sufficient coverage.

## Fund a 529 Plan

It is never too early to start thinking about your child's future. Funding a 529 plan is a great way to help them save for college. A 529 is a tax-advantaged investment account that allows contributions to grow tax-free. Distributions are not taxed if used for qualified K-12 tuition or post-secondary expenses. Some states, including Pennsylvania, offer a tax break for contributions to a 529 plan.

## Fund a Dependent Care FSA

Do you have expenses related to daycare or other custodial care? A Dependent Care Flexible Spending Account is the perfect solution to pay for these costs. A Dependent Care FSA allows for tax-free reimbursements for qualified daycare care expenses for children under age 13. Keep in mind, the funds will expire at the end of the plan year if they are not used.

## Review Your Taxes

It is prudent to run a tax projection and verify that your tax withholding remains appropriate. Some potential changes that could reduce your tax liability include increasing pre-tax health insurance premiums, funding a Dependent Care FSA, or contributing to a 529 plan. Also, you may be eligible for certain tax credits such as the Child Tax Credit and the Child and Dependent Care Credit. If you conclude your tax liability has been reduced, lowering your tax withholding may be feasible. The additional take-home can help fund some of the new expenses.

Save the impromptu lessons for changing diapers, not your finances. Make sure your finances are part of your preparation for your new addition. You don't have to go through it alone; your CERTIFIED FINANCIAL PLANNER™ practitioner is here to help you through these changing times.

