

10 Things You Must Do to Baby-Proof Your Finances

For most prospective parents, financial issues come fairly far down the list of wishes and hopes for their new baby. Health and happiness typically comes first, and by the time the subject turns to money, the discussion often begins and ends at saving for the baby's education.

That's where most families go wrong.

We'll start with the latest frightening cost-of-raising-a-child [statistic](#) from the U.S. Department of Agriculture released this past June – based on 2009 figures, the average child will cost \$222,360 to raise to the age of 17. Note that number doesn't include the price of college tuition – the federal government counts only the basics like food, housing, clothing and health and child care.

In reality, proper financial planning for a family involves planning for the *whole* family, and that includes you, the parents. In reality, parents need to think as much about their retirement and estate planning as they do about sending their kids to college. While this makes the idea of planning more stressful, the good news is that help is easy to find, and best of all, planning early means parents will be able to make use of the best asset of all – time.

Here are 10 things prospective parents can do to baby-proof their finances:

1. **Get money advice now:** Even if you have zero debt and money in the bank, give yourself the gift of qualified financial advice, because as a new parent you're going to be extremely busy and outside help can make a big difference. A qualified financial planner is a good first stop on the road to understanding any strengths and weaknesses you have in your current financial picture so you can build a sound financial future for yourself and the baby. That's true whether you're expecting a biological or adopted child.
2. **Make sure your health insurance covers maternity expenses:** One of the more problematic issues for individuals and couples having a baby now is making sure your health insurance plan adequately covers maternity benefits. According to Parenting Weekly, the average cost for an uneventful pregnancy can run between \$7,000-\$10,000 out-of-pocket and complications send the bill much higher. In October, the U.S. House Energy and Commerce Committee published a [memorandum](#) noting that "Women who are pregnant, expectant fathers, and families attempting to adopt children are generally unable to obtain health insurance in the individual market." That's why whether you are individually insured or insured through an employer it makes sense to check that coverage before you or your spouse or partner plan to start your family.
3. **Start retirement planning now:** If you're consulting a financial expert, it's critical to get a retirement plan in place, even if it's only a few dollars a month into your company 401(k) or the start of individual retirement saving on your own. Because retirement

planning often takes a back seat to planning for the needs of children, it's best to start this process early so your retirement funds can compound over time.

4. **Price child care now:** According to 2010 figures from the National Association of Child Care Resource & Referral Agencies (NACCRA), the average annual cost of having a four-year-old child in a child care center ranged from \$4,050 in Mississippi to over \$13,000 in Massachusetts. While there are neighborhood and family options available that can save considerable money, working parents need to know that child care options are a huge drain on a family's budget.
5. **Learn to budget:** A financial planner can help new parents budget for overall household costs, including specific costs for the baby. It will help parents save for retirement as well.
6. **Get your baby a Social Security number:** The sooner you can get your child a Social Security number, the sooner you'll be able to qualify and document tax benefits that will help you defray some of your child-rearing costs.
7. **Check your W-4:** Increasing your allowances will boost your take-home pay, but go over this move with your tax expert first.
8. **Get your will and life insurance in place:** Estate issues are too complex to cover in detail here, but talk to financial, tax and estate experts about writing a proper will with specific health and financial directives and make sure you get adequate life insurance in place to support your spouse and your child if you die before they're grown.
9. **Start planning for college:** Like retirement, parents need to save for college with a number of savings and investment vehicles, not just one. Get advice from an expert on choices regarding 529 college savings plans and other options to start salting away college savings.
10. **Talk to family members who want to help:** If your parents want to help financially with the new baby, there are ways to do this that will help with their tax and estate issues. Specifically, they can also make contributions to a child's tax-advantaged 529 plan and other educational savings vehicles and they can adopt tax-smart gifting strategies that lower the size of their estates over time. Parents, grandparents or other close relatives should get qualified advice on these matters so they can coordinate their efforts with the parents.