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Financial Tips for New Parents

The birth of your first child is a wonderful time to start thinking about or reviewing your financial plan. Often, a new child will spark conversations about wills, savings, retirement, education, and household budgets. This checklist can help you understand some of the most important steps to take.

Becoming a parent is a life-changing adventure, one that can be fun, fulfilling, nerve-wracking, exciting, and overwhelming all at the same time. New babies often make us dream about the future, and we feel encouraged to make plans that will help ensure the best possible outcomes.

As you consider what your familyâ??s future could look like, take time to evaluate your financial health. This financial checklist for new parents may be a helpful resource.

Health Care

- Review your deductible, co-pay, and maximum spending amounts for health insurance.
- Look to see what your policy year is (i.e., the 12-month period before your deductible, maximum spending, and other key metrics reset). If pregnancy and the childâ??s birth will occur in separate policy years, the timing could impact your out-of-pocket costs.
- Check if pregnancy and birth are covered under your existing insurance policy. If not, reach out to your insurance company to explore your options.

Tax Planning for the Year after Birth

- Learn about new tax deductions and credits and ensure your tax professional knows you had a child.
- Consider the child tax credit, dependent care tax credit, dependency exemption, flexible spending account (FSA), and medical expense deductions.

Foundational Planning (101)

- Edit your budget to include new monthly expenses that could be anywhere from a few hundred to a few thousand dollars. Beyond the universal pieces, such as diapers, clothing, food, and toys, some families may also need to account for childcare, increased doctor visits, medical expenses, and more.
- Consider setting up a savings account specifically for unexpected expenses, such as car repairs or home maintenance, with three to six monthsâ?? living expenses.
- Make a list of all your debts and put them in order of importance.
- Review insurance coverage to ensure you have adequate protection for your family, including insurance for your home, vehicles, potential disabilities, and long-term care.
- Review your retirement savings and make sure you are on track to meet your goals.

Next-Step Planning (201)

- Create or revise your estate planning documents, including a will to outline financial and parental guardianship if you and your spouse die prematurely.
- Set up a financial power of attorney to designate someone who can manage your financial affairs if you become incapacitated.
- Review your life insurance coverage to ensure your family has sufficient financial resources if something should happen to you.
- Consider an umbrella insurance policy to provide additional coverage for things like hosting large gatherings or having a pool or trampoline.

Education Savings

- Start saving for your childâ??s education as early as possible. There are several options for education savings, including a 529 plan, a Coverdell Education Savings Account, or a custodial account.
- Consider having family members and friends help fund the plan with regular gifts.
- Be aware of annual contribution limits.
- Remember that the primary benefit of education savings programs comes from their investment returns, so the earlier you start, the more opportunity for those returns to accrue.

Consult with your financial advisor for additional resources and help with planning.

Have questions? Need help? Call the CAPTRUST at Work Desk at 800.967.9948, or schedule an appointment with a retirement counselor today.

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