

Preparing for Parenthood

A guide for expectant parents

Expectant parents have a lot on their plate. This involves everything from the excitement of learning about the pregnancy to the planning and preparation leading up to the birth to how to raise the child once he or she is born. We strive to serve as a resource and partner as you navigate this exciting and life-changing experience.

Your advisor can provide guidance and help you craft a plan around the following key areas related to parenthood:

Child care

- Who will care for your child? Will one parent stay at home? Do you prefer daycare or an in-home nanny?
 - These decisions have a financial impact. To understand the costs associated with child care, start living now as if those costs are real.
 - Many child care options have waiting lists. Start planning for child care as soon as you can after you find out you are expecting.
- You can save up to \$5,000 a year pre-tax in a Dependent Care Flexible Spending Account (DCFSA) to cover qualified child care expenses. This includes Pre-K and younger, as well as before- and after-school care for children in kindergarten through age 13.

Cash flow management

- Understand your current income, expenses, assets, debts and employer benefits. Assess how they might change as your family grows, including increases in medical costs related to prenatal care, labor and delivery, and post-birth care.

Emergency fund

- Having 3-6 months of expenses set aside can help parents feel prepared for the “what ifs” that may arise.
 - Build additional savings based on anticipated medical costs and increased monthly child-related expenses (child care, diapers, food, clothes, etc.)
- Does your employer offer paid leave? If not, have a strategy to save for the time off without income.

Insurance

- Health – Parents are typically able to update their insurance coverage once the baby arrives. Most insurance companies require adding your child within 30 days of birth.
 - If one or both spouses have a health care plan through their employer, review options and benefits.
 - Interview and select a pediatrician in your plan’s network.
- Life – Do you have enough coverage for your dependent(s) to maintain a similar standard of living should you pass away?
 - We recommend term life insurance. One rule of thumb is 10 times your annual income.
- Disability – Obtain coverage to meet your expenses should you not be able to work.

Estate planning

- Will – The essential, must-have document for parents. It provides for who will take care of your minor children if you pass away. Consider all aspects of what makes a person a good fit as a guardian. Personal or religious beliefs, life perspective, financial circumstances and more can have a meaningful impact in this decision.
- Powers of attorney – Should something happen to you and you become incapacitated, are there decision-makers in place for medical and financial emergencies?
- Beneficiary designations – Update your life insurance, investment account, and savings account beneficiary selections to reflect the addition to your family.

Education savings

- Retirement savings should not be sacrificed for education savings. There are many options for funding education goals (including accessing retirement accounts) but fewer options for funding retirement.
- 529 college savings plans offer tax-free growth when the accounts are used for qualified education expenses.
 - Family members are able to contribute to the account as well.
 - Many states offer tax deductions for contributing to a 529 plan.
- Following is a chart illustrating how much money might be available for college when your child turns 18 if you save a certain amount each month beginning at a specified age.

Child's Age Now	\$100/month	\$200/month	\$300/month	\$400/month
Newborn	\$38,735	\$77,471	\$116,208	\$154,941
4	\$26,231	\$52,462	\$78,693	\$104,924
8	\$16,388	\$32,776	\$49,164	\$65,552
10	\$12,283	\$24,566	\$36,849	\$49,132
14	\$5,410	\$10,820	\$16,230	\$21,640
16	\$2,543	\$5,086	\$7,629	\$10,172

Table assumes an after-tax return of 6%, compounded monthly. This is a hypothetical example and is not intended to reflect the actual performance of any investment. All investing involves risk, including the possible loss of principal, and there can be no assurance that any investment strategy will be successful.

Tax planning

- Assess your tax withholding elections on your wages and update them if needed.
- Other tax benefits also may be available to you:
 - Child Tax Credit – Up to \$2,000 per child for taxpayers making less than \$200,000 single or \$400,000 joint. Up to \$1,400 is available as a refundable credit.
 - Child and Dependent Care Credit – Up to \$3,000 for one child or \$6,000 for two or more children.

Understanding the essential versus non-essential costs of a baby

- Make prudent decisions when buying gear for your baby. Overspending on non-essential items is one of the biggest regrets that seasoned parent have.

Enjoy the time!

- Most importantly, keep a positive outlook even if you are not able to plan everything perfectly. There is time to improve your financial picture from where it is today. In the meantime, control what you can. Be present and treasure the precious months ahead as you prepare to meet your little one.