

Kansas City Baby Magazine Archives:

Financial Priorities for New Parents

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As life changes go, the birth of your first child is right up there with the most stressful financial times in a parent's life. Excitement, worry and confusion make it difficult to focus your attention and know what to do first. I've watched many parents come through this transition successfully because they've set goals and taken the necessary steps to reach them. I've also seen people falter along the way in a manner that can hinder their financial future forever. Consider the following information to help ensure you are well-equipped for this new financial phase of life.

Debt Reduction/Elimination

When my wife and I found out she was pregnant, we weren't sure whether she would stay home or not once she gave birth. So we decided to prepare as if she were planning to stay home and began to eliminate debt. For many families, debt prohibits them from living on one income. Sit down, add up ALL of your debt (excluding your mortgage for now) and take steps to increase your income/decrease spending so you can eliminate debt before or shortly after the baby's birth. Parenthood can be bliss if you can provide for your child free of financial stress.

Purchasing Baby Gear

This expense can be incredibly great or very small. How do you keep a handle on it? Setting financial goals and a spending plan ahead of time will ensure you don't fall off track with your actual budget. For safety guidelines and to possibly save money, check Consumer Reports Best Baby Products-- the 10th edition is most current. Absolutely do not buy anything until you have had all of your baby showers. If you are really short on cash, you might suggest a gift card shower to help you purchase the items you truly need.

Health Insurance

Imagine your surprise when you get the hospital bill and find that you were not covered in the manner you thought you were. Call your company two or three times before accepting their answer, and ask until you have a fairly solid amount of what the pregnancy will cost. The final total for our first child was \$1,200 (yours could vary greatly from this depending on your insurance provider and plan). We saved this amount above and beyond our emergency fund so that there were no surprises as we tried to adjust our lifestyle to accommodate a new baby.

Life Insurance

The number one reason to buy life insurance is to ensure the financial future of your family in the event of your death. The amount of life insurance you need depends on your income and the potential you have as an income generator over your lifetime. People commonly make the mistake of purchasing more insurance than they need or can afford. Speak with a CFP™ Professional before purchasing from a commission-based insurance agent, to have them calculate the amount of insurance you need.

Will/Estate Plan

This is the "elephant in the room" question: Who will take care of the child in the event of your death? Meeting with an estate planning attorney is the best way to resolve this issue. Their experience will help you sort through the many issues to consider. Make sure you also have a healthcare directive filled out and signed before you head to the hospital.

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