

# Financial Essentials for New Parents



A Financial Roadmap  
by  
Hallett Advisors

Phone: 360-457-6000  
Web: [www.hallettadvisors.us](http://www.hallettadvisors.us)  
Email: matt@hallettadvisors.us



Congratulations on the news of your new baby! As I am sure you are aware, your life will never be the same. In so many ways, you are expected to prepare for years of what is sure to be completely unpredictable. This is true in many wonderful ways; along with what I'm sure will be occasionally challenging ones. While the financial aspects of expanding your family may not be at the top of your priority list right now, this document was written to help you deal with them when the time is right for you. Unlike the more mysterious parts of raising a child, the topics we will cover here should prove to be much more concrete and perhaps refreshingly clear cut.

## The Emotional

As mentioned above, your finances are likely not at the front of mind right now. It is important to prioritize the emotional well being of you and your family above any more administrative concerns. Be aware of everyone's feelings, including your own. Talk openly with your partner about your personal situation. Be sure to converse on topics like incomes and child care.

Remember to stay connected to other people. This should include your significant other, as well as friends and family members who may not be as close to the excitement of your changing family dynamic. Rather than fall into the trap of isolation, make a point to schedule time to spend with those most important to you. Consider joining groups for new parents in your area.

## The Financial

Considering your future plans and how they may be changing can be a bit overwhelming. For that reason, you should start with a very basic exercise of sorting out your financial goals into different time frames. Start with your immediate needs, move on to your short-term goals, and finally the long-term.

**1.) Review Your Spending Plan** - If you have been living within a family budget, now would be a perfect time to plan for some of the new expenses that will be a part of your life.

- Consider the recurring costs of items like bottles, diapers, day care, and clothing.
- List out some longer-term equipment that you may need like a car seat, stroller, high chair, play pen, and baby bag.



Don't be intimidated by the total costs of these adjustments. With a combination of planning, discipline, and creativity you can have everything you need.

**2.) Embrace Hand-Me-Downs** - Not only will accepting these items from friends and family save you money, but it is an option that is far friendlier to the environment than wasting perfectly good items only to replace them with more of the same. This is not only good for your family, but for the future of the world your child will inhabit. Besides, your baby won't know the difference and they will probably outgrow the items in a matter of weeks! When they do move on, don't forget to pay the good deed forward. There will always be new parents whose children will be entering the phase that your child is exiting.

**3.) Reallocate Previous Discretionary Funds** – For the time being, it may be wise to cut back on other areas of spending that are not entirely necessary. This may seem challenging when you are planning, but often gets easier over time. When people closely examine their spending, they often find that they were spending more than they thought on entertainment. Besides, what new parent has both the time and the energy to go out and spend that money anyways?

When some of the dust has settled, you have all of your supplies in place, and you are confident that you can make it through the next few weeks, it may be time to look at your savings and investments with fresh eyes.

**4.) Consider Your Emergency Fund** – Think about how you would keep your family running financially if a large unexpected expense came your way. What would it be like if you were unable to receive your usual income for several months? With a new family member, it is now more important than ever to be prepared. Work to put aside the equivalent of several months (strive for six) of your take-home pay. If you had emergency savings before the birth of your child, you may find that some rebuilding is now in order.

**5.) Review Your Investments** – If your investment dollars were matched up to your specific goals, you may have to realign them with your updated priority list. You may find you are unwilling to maintain the tolerance for investment risk that you had before becoming a parent. Even with these potential changes, you should be careful not to overlook your eventual need for income in retirement. This will still exist long after the children have left the house.



# The Estate

Although we would certainly never wish it to be so, it is important to plan for what your child's life would look like if one or both parents were to pass away. It is always a good idea to seek the assistance of qualified professionals to ensure that the execution of your wishes matches your best intentions.

**1.) Update (or write) Your Will** – Your will now needs to take into consideration the guardianship of the child. Be sure to consider the health and finances of your chosen guardian. It may also be prudent to consider their level of comfort with children!

**2.) Consider Establishing a Trust** – This is one method for you to designate how your assets would be managed and distributed in the event of your death. You will want to assign a capable and ethical trustee to oversee the trust, as well as a successor trustee in case your first choice can not perform the necessary duties.

**3.) Insurance** – In combination with your emergency fund, you will want to evaluate if you have adequate insurance to support your surviving family in the event of the death or disability of a parent.

# The Perks

Besides the indescribable delight that comes from parenthood. Your little bundle of joy also makes you eligible for some more quantifiable benefits that you should explore.

**1.) Tax Considerations** – Talk to your accountant about which of these apply to you, and be sure to obtain a social security number for your child so that you may claim him/her as a dependent.

- Basic Exemption with additional dependent
- The Child Tax Credit
- Adoption Credit
- Education Tax Credits

## 2.) Paying for Child Care

- Employer Flex spending account
- Child Care Credit

**3.) Health Insurance** – Be sure to review and compare all plan options for both parents, and to add the child to the plan within 30 days. Insurance costs can vary greatly when it comes to covering a newborn.

As with all areas of parenthood, planning financially for a new child can be complicated. This guide has truly only scratched the surface of the complexities that can arise. With all of the ideas mentioned above, we suggest that you consult with your team of tax, legal, and investment professionals.

