

# FAMILY PLANNING

## How to Prepare for a Baby

### So You're Ready to Grow Your Family?

The decision to start a family is a huge one on many levels: personally, as a couple, and financially. Although wanting to have children goes beyond just thinking about practical matters, money is part of this decision. According to the US Department of Agriculture, an average middle class family will spend \$245,000 dollars to raise a child to 18 years old – that's just the average, and no, it doesn't include higher education costs! A quarter of a million dollars is no small sum, but that doesn't mean couples who want to become parents can't do it.

It just takes a little financial preparation. Use this checklist to help ensure you're on the right track to prepare yourself before starting your family and having a baby. For more details on how you can prepare in each phase of your pregnancy, check out our blog: [Your Pregnancy Financial Checklist](#).

### 1 Understand your future expenses.

Your expenses and your bills will change when a baby comes into the picture. Start considering changes in costs to your groceries, transportation, healthcare costs, and other budget categories. Research prices and start seeing how you can work extra expenses into your budget now to understand how adding a child to your family will affect your everyday finances.

### 2 Examine your childcare options.

The cost of childcare is on the rise. The same report from the US Department of Agriculture that estimated the total cost of raising a child to adulthood broke down some of the common costs, including daycare – and the findings showed that the monthly cost of childcare can easily equal or even exceed the cost of a mortgage payment. Consider what your family's goals are and look at your current incomes. Does it make sense for one parent to work from home or stay at home for a period of time? Will both of you keep working, and if so, what are you plans for childcare?

### 3 Consider college funding.

In doing your research, don't forget to look at college costs and your options for college savings vehicles. If you want to help your children pay for higher education, in part or in full, you'll want to start saving as soon as possible. For more guidance on preparing for the costs, read [Can I Afford to Send My Kids to College?](#)

### 4 Build up your emergency savings.

If you start thinking about a family and want to prepare for a baby, that means you're taking on more financial responsibility. Your children will be completely dependent on you for support and care – which means your emergency fund needs to grow to support this new dependency. The general rule of thumb is to keep three to six months' of expenses in an emergency fund. To prepare for a baby, consider growing your fund so it sits around six to twelve months' worth of your new expenses.

### 5 Plan ahead and manage risks.

Again, having children means having more financial responsibility. If you have any dependents, you must have the appropriate insurance to protect both yourself and those that rely on you. You'll want to consider:

- **Life Insurance:** If anything were to happen to you or your spouse, life insurance provides for your surviving family members. No one likes thinking about the worst, but this isn't about you: it's about protecting your family and ensuring they're provided for, no matter what.
- **Disability Insurance:** Situations don't have to be catastrophic to deal a harsh blow to your finances. Disability insurance provides you and your new family with a portion of your income if you are temporarily unable to work and earn money. Check out our blog for more details on [the value of Disability Insurance](#).
- **Health Insurance:** Before adding a baby to your household, review your health insurance coverage. Get the proper policy that will protect you both before and after your child is born.

### 6 Take care of your estate.

No one likes thinking about the worst case scenario – and you may think you won't have enough assets to worry about an estate plan for decades. But remember, this type of planning and protection is for your family and your children. Part of preparing for a baby is setting up legal protections for both them and the assets they may inherit from you. Estate planning is especially important when you have children, because your estate plan will:

- Establish guardianship.
- Ensure your assets are distributed in a way that aligns with your wishes.
- Create a trust (if you decide to do so).

Without an estate plan, these issues go through probate court. Probate court is public, proceedings can take long amounts of time after your passing, and a judge makes all the decisions – including who receives guardianship over your children.

Plan ahead, and be prepared. Taking care of these practical financial matters ahead of time will save you a lot of stress and worry -- and allow you to start focusing on what's most important: your growing family. For a more comprehensive overview, check out our blog: [Your Complete Estate Planning Checklist](#).

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