

# Preparing Financially for Parenthood

**When a couple decides to start a family, there are many things to prepare for. In addition to painting the nursery and stocking up on diapers, parents-to-be need to get their finances in shape for the new baby. Here are a few financial preparations you should consider.**

## Start Saving

Your bundle of joy will cost you a bundle. According to the Fraser Institute, it could cost the average Canadian family over \$240,000 (in 2011 dollars) to raise a child through age 19. And this estimate doesn't include the costs of a post-secondary education, so it's a good idea to start saving now. Even saving a small amount each week can add up quickly. Another smart move is to set up an account for your child's tuition expenses, and use it to deposit any cash gifts your child receives.

## Begin To Budget

Figuring out your anticipated future income and expenses now will help you prepare. Couples may need to adjust their spending to accommodate a drop in income as a result of maternity or parental leave or extra expenses such as child care. You may want to make some adjustments now and save the difference to give your savings a boost before baby arrives.

## Deal with Debt

Couples who have a large mortgage, car payments or a significant amount of credit card debt should make some changes before their baby is born. This may be a good time to sit down with a financial professional to go over financial priorities and come up with a realistic spending plan. Take control of any debt you have now before your expenses increase.

## Consider Your Health Care Coverage

Before baby arrives, check your health care plan's maternity or parental coverage. See if there are any out-

of-pocket expenses you should budget for. And if your employer provides the family's health care coverage, are you giving up your job to take care of baby? Then the family will need a new health care plan.

## Prepare Your Estate Plan

The imminent arrival of a new baby may not seem like the right time to think about your estate plan. Yet, responsible parents should make sure their new arrival would be provided for in the worst-case scenario. Check your life insurance coverage to see if it would be sufficient to ensure your child's future, including tuition costs. You may have to budget for higher premiums to protect your family's future financial security. Consider purchasing disability insurance in case of an accident or illness. New parents should also update their wills, and choose a guardian for their child.

## Take Care of Taxes

Once your new little "dependent" arrives, make sure you receive all the tax credits and benefits you are entitled to, such as the Canada Child Tax Benefit and the Universal Child Care Benefit.

We believe proactive planning and professional advice go hand in hand. Consult your BMO financial professional for help with preparing financially for parenthood.

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