

Preparing Financially for a New Baby: A Guide for Expecting Parents and Grandparents

Welcoming a new baby into the family is an exciting and joyous occasion, but it also brings new financial responsibilities. According to recent estimates, a middle-income married couple with two children can expect to pay roughly \$306,924 to raise a child born in 2023¹. This staggering figure underscores the importance of thorough financial planning. Whether you're expecting your first child or adding another member to your growing family, it's essential to plan ahead. Here are some practical tips to help you prepare financially for your new arrival:

Thinking Ahead for Your Baby's Future— For Expecting Parents

- **Budgeting for Baby:** Assess your current finances by reviewing your income, expenses, and savings. Identify areas where you can cut back to allocate more funds for baby-related expenses. List all potential expenses, from hospital bills to daily essentials like diapers and formula and set aside funds for initial costs.



¹How much does it cost to raise a child in 2024? Things for prospective parents to consider. Creditkarma, June 27, 2024. <https://www.creditkarma.com/cash-flow/i/how-much-does-it-cost-to-raise-a-child#:~:text=According%20to%20a%20U.S.%20Department,and%20excludes%20any%20college%20costs>

A new baby brings joy as well as new financial responsibilities, so planning ahead is essential.

- **Build and Reinforce Your Emergency Fund:** Create a safety net by ensuring that you have 3-6 months worth of living expenses saved. This can help you prepare for the unexpected such as medical emergencies or income changes.
- **Review Your Health Insurance:** Make sure your plan includes prenatal, delivery, and pediatric care. Remember to add your newborn to your insurance plan within the required timeframe.
- **Long-Term Financial Planning:** Consider opening a 529 plan early to take advantage of compounding growth. Ideally contribute monthly. Ensure you have adequate coverage to protect your family and update your will to include your new child in your estate planning. Contribute to available HSA as family plan limits are higher.
- **Take Advantage of Tax Benefits:** There are various tax credits available for childcare. Speak with your accountant to ensure you are taking full advantage of these.
- **Investment Strategy:** Consider setting up a custodial account to start investing on your child's behalf.



Invest in their Tomorrow Today— For Grandparents:

- **Contribute to Education Funds:** Consider making significant contributions to a 529 plan or other education savings accounts. This can help cover future educational expenses, from private schooling to college tuition. Additionally, you can pay directly to the university and not trigger gift taxes if beyond annual exemption.
- **Gift Strategically:** Instead of traditional gifts, think about **gifting assets** that appreciate over time, such as stocks or bonds. These can be managed through custodial accounts until your grandchild is of age.

- **Provide Financial Guidance:** Share your financial wisdom and experiences to help your children understand the importance of financial planning and investing for their child’s future.
- **Support Charitable Giving:** Encourage and support charitable giving in your grandchild’s name. Not only can this instill values of generosity and social responsibility from a young age, but it can also provide significant tax benefits. By working with your KAR advisor, you can strategically plan your **charitable contributions** to maximize tax deductions, potentially reducing your taxable income.
- **Leverage Your Advisor:** Work with your KAR advisor to set up trust funds or other financial instruments that can provide long-term benefits for your grandchild.

Bringing in a new baby into the family is an incredibly exciting time filled with joy and anticipation. Every family is unique and it’s important to make financial decisions that best suit your individual circumstances and goals. Working with a wealth advisor can be immensely helpful in this journey. Our team is here to provide personalized guidance and support, helping you create tailored financial plans that balance your immediate needs with long-term goals.

Contact us to get started.

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