First Financial
Investment & Retirement Center

Budgeting for a Family

If you're expecting your first child, congratulations! You're about to embark on the most rewarding and fulfilling experience of your life.

As you already know, there's a long list of responsibilities associated with your new title — parent. And financial responsibility takes a backseat to none of those. Raising a child is expensive, after all. The USDA estimates the total expenses for a child's first 18 years at more than $200,000. So, as you begin planning for your first child, consider these key areas and their associated expenses.

First, there's healthcare. If you're covered by an employer's plan, check to make sure of the options for adding a child. Additionally, if you do have an employer-sponsored plan, consider a medical reimbursement account (MRA) or health savings account (HSA), if either is available. These can pay for items such as deductibles, co-payments, and orthodontics.

If you're paying for healthcare directly, you can choose a managed care plan, such as an HMO, which offers lower upfront costs than a traditional plan, which may require you to pay at least 20 percent of care costs. However, a PPO plan may provide you with more options as to which providers you can see and whether you need a referral to see a specialist. Whatever route you go - deductibles, co-insurance amounts, co-payments and monthly premiums vary greatly; review the options available to you carefully before making your selection.

Next, there's childcare. Depending on your adjusted gross income, or AGI, you may be eligible to receive tax benefits as a parent. The Child Tax Credit provides a credit of up to $2,000 for children ages five and under – or $3,000 for children ages six through 17 years old. To qualify, your child must have a Social Security Number before you file your tax return.

Then, insurance. Purchasing disability and life insurance can provide income for your child if your earning capacity is compromised. A financial professional may be able to provide guidance as to the recommended amounts of coverage for each. Check to see if your employer offers these policies, they are often less expensive than those that you purchase independently.

Finally, consider drawing up a will that designates a legal guardian for your child, in the event that you and your spouse die together, or if you're a single parent and you should die. If you and your spouse die intestate — that is, without a will — and you die together, a court will decide whom to appoint as your child's guardian. Make sure that the will is written so that it applies to your new baby as well as your future children. By carefully budgeting for your baby, you can help secure the financial futures of both you and your child.

Questions about this topic? Contact First Financial's Investment & Retirement Center by calling 732.312.1534. You can also email mary.laferriere@lpl.com or maureen.mcgreevy@lpl.com