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**FINANCIAL WAYPOINT SERIES**

Preparing Your Pockets  
for Parenthood





# Congratulations on your new bundle of joy!

Your life will never be the same. In several areas, you will be preparing for decades of an unpredictable future. While there are many wonderful surprises to come; there will probably be some challenges too. The finances surrounding your growing family may not be at the top of your priority list right now. This guide exists to help you work through them when the time is right for you and your loved ones. Unlike the more mysterious parts of raising a child, the topics we will cover here should prove to be much more concrete and refreshingly clear cut.





## Your Well-Being

As mentioned above, your finances may not be at the front of mind right now. It is a good idea to prioritize the emotional needs of your family above any of the more administrative concerns. Pay attention to everyone's feelings, including your own. Communicate openly with your partner about your personal situation, including your incomes and anticipated child care responsibilities.

### **Stay Connected to those who care about you**

Include your significant other, friends and family members who may a bit more removed from your changing family dynamic. It is easy to end up in a state of isolation. To avoid this outcome, make a priority of scheduling time with those most important to you. Consider joining local groups specifically for new parents.

## The Financial

Thinking about your changing plans can get to be overwhelming. 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.

### **Budget Review**

If you have an established spending plan, now would be an ideal time to adjust for some new family expenses.







- Include the recurring costs of items like bottles, diapers, daycare, and clothing.
- Make a list of longer-term equipment that you may need like a car seat, stroller, high chair, playpen, and baby bag.

Try not to be intimidated by the total costs of these adjustments. With some planning, discipline, and creativity you can have everything you need.

### **Hand-Me-Downs**

Accepting these items from friends and family will not only save you money, but it is far friendlier to the environment versus buying new items only to later discard them to be replaced with more of the same. This is good for your family as well as for the future of the world your child will inherit. 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 offer items to someone else. There will always be new parents with children entering the phase that your child will be exiting.

### **Review Discretionary Spending**

It may be wise to temporarily reduce any spending that is not completely necessary. It may be a challenge when you are planning, but will often get easier with practice. When you take a close look at your budget, you may find that you are spending more than you thought on entertainment. Few new parents discover that they even have the time and energy to go out and spend too much money!





When you are somewhat settled, all of your supplies are in place, and you are confident that you can make it through the next few weeks, it may be time to take a fresh look at your savings and investments.

### **Emergency Fund**

Picture how your family would stay financially afloat 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? It is more important than ever to be prepared with a new mouth to feed. Build up to a savings amount equivalent to 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.

### **Investments Accounts**

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 your appetite for investment risk is not the same as it was before you become a parent. Do not overlook your eventual need for income in retirement. This will still exist long after the children have left the house.

## **The Estate**

It is a difficult topic, but it is important to plan for your child's needs if one or both parents were to pass away. It is a good idea to seek the assistance of qualified professionals to ensure that the execution of your wishes matches your intentions.





### **Your Will**

Your will now needs to address the guardianship of a child. Consider the health and finances of the guardian you choose. You should probably also consider their level of comfort with children!

### **Consider a Trust**

This is one method for you to designate how your assets would be managed and distributed in the event of your death. Assign a capable and ethical trustee to oversee the trust, and a successor trustee in case your first choice can not perform their duties.

### **Insurance**

Once you have established 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 delights inherent to parenthood. Your little bundle of joy may also make you eligible for some more quantifiable benefits.

### **Taxes**

Talk to your accountant about which of these apply to you, and don't forget to obtain a social security number for your child so that you may claim him/her as a dependent.

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





### **Paying for Child Care**

- Employer Flex spending account
- Child Care Credit

### **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.

Financially preparing for a new child can be complicated. This guide has only scratched the surface of the complexities that can arise. With all of these concepts, we suggest that you consult with your team of tax, legal, and investment professionals.

### **QUESTIONS?**

If you would like more in-depth information specific to your individual circumstances please feel free to reach out:

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