

Family Finance

By Pauline M. Lupercio

Are you prepared to have a baby?

Five steps to get you in financial shape

Are you pregnant or trying to conceive? If so, you most likely are getting bombarded with sound advice on how best to prepare physically for pregnancy – including quitting smoking, passing on that margarita for a virgin daiquiri, and staying as active as possible to help prep your body for the labors of, well ... labor.

But what about your financial health? The U.S. Department of Agriculture estimates that an average middle-income family will spend more than \$165,000 to raise a child from birth to age 18. If you are looking at adoption, fertility treatments or thinking of contributing to your child's college education, take a deep breath – because those extras are not included in that number.

Typical first-year costs for baby include diapers, formula (if mom is not breastfeeding), clothes and doctor visits. Today's parents are looking to pay an average \$10,600 for the first 12 months of their baby's life alone!

But don't let the numbers dampen your excitement. With a little preparation, you can get your finances in order, which frees you up to concentrate on the pregnancy or the prospect of adding a child to your brood.

1. The pre-baby budget: When you're preparing to have a child, you have to take the time to crunch the numbers and see where you stand financially.

"The hardest thing for people is to sit down and work on a budget; but really, it is not a bad word," says certified financial planner Mike Rautiola of RFC Financial Planners in Ann Arbor. His suggestion? Save every receipt for two months and then add them up before dividing costs into categories like mortgage/rent, groceries, utilities, entertainment and incidentals like pedicures and massages.


If necessary, you can then trim out unnecessary extras (like the pedicure

you won't have time for, anyway) and create a baby-friendly budget. And, if one parent is planning on staying home after the baby arrives (or taking a temporary unpaid maternity leave), now is the time for the one-income trial run.

2. Where there's a will: No matter how unpleasant the thought, you need to make sure you establish a will – or update your old one to assign guardianship in the event of your death. Also, make sure that you state how your child's finances will be managed and by whom. Don't forget about your retirement and life insurance policies provided by your employer, says Rautiola, and update the beneficiaries to reflect your current documents. It's just as important to have adequate life insurance policies. Make sure you, as parents, are covered, should something happen.

3. Insure this: The cost of raising a baby is one thing. The cost of delivering one is an entirely different story – with a tab that the March of Dimes says can exceed \$10,000 for a Caesarean-section birth. If you can, it is best to get health insurance before beginning attempts to conceive. And once the baby is born, be sure to add him or her to the policy.

4. Save, save, save: Rautiola suggests that clients who are trying to conceive – or not – try to keep at least six months of emergency reserves in a savings account. If this already is available, new parents can dip into the fund a little to help defray initial baby costs. If not, aim to try saving a minimum of \$200 per month plus 10 percent of each paycheck. If you can save even more, do it.

5. Shop smart: We know. It is tempting to buy all those cute baby clothes (but don't – they really do grow *that* fast!) and the best of everything. But if hand-me-downs (like cribs and other necessities) meet current safety standards, skip the \$2,000 model for the more economical option. The baby won't know the difference. And you'll need that cash for the diapers, anyway. 

– Pauline M. Lupercio is a freelance writer from Roseville.

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