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Make Financial Room for

by Carrie Anton

When Jennifer and Pat Wennerstrom, Lake in the Hills, Ill., decided to have a child, thoughts of first smiles, first giggles, and first steps warmed their hearts as they waited for baby Brooke to arrive. Now that she's here, the couple couldn't be happier with their new little addition. The only thing that could make life any better would be if they could eliminate the second, much larger, bundle the stork delivered--the expense.

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According to the U.S. Agriculture Department, a middle-class family can expect to pay an estimated \$184,000 to raise a baby from birth to age 17. Jennifer and Pat still are in the very early stages of paying down this "debt," but the financial impact already is beginning to take its toll.

"Even grocery shopping is more of a challenge than it was before," says Jennifer "I was always so fortunate not to really think about everything we placed in our cart before the baby. Now we really try not to deviate from our shopping list and calculate everything before we go to the register. If we go over our budget, I select items that we can do without until next week and put them back."

Creating a baby budget can help reduce money stress.

Baby budget

There's no doubt that starting a family is a wonderful step in a couple's life--and an expensive one. While the financial responsibilities are only one piece of parenthood, they can't be overlooked. Just as you plan for the baby by selecting colors for the nursery and picking the baby's name, you also should plan how you will tackle added expenses.

"Finances, like parenthood, are different for each family," says Kathy Hetzel, family living educator for the University of Wisconsin Extension in Madison. "In general, parenthood is a shifting of values and lifestyles where needed. Some parents only want new, never-been-used furniture and clothes for their babies. Others are accepting and appreciative of hand-me-downs."

No matter what your financial style, creating a baby budget can help reduce money stress before it has an impact. Here's a list of expenses you'll likely need

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to consider when creating your baby budget:

- Essentials: diapers, food, formula, baby clothes
- Household items: detergent, paper towels, tissues
- Equipment (new or used): car seat, crib, stroller, playpen
- Utilities: higher utility bills because of more time in the home
- Health care: increase in premiums for an added dependent and co-pay costs for check-up and minor illness visits to the pediatrician
- Hospital: hospital co-pays for the birth of the child and the possibility of added expenses if a Caesarean section or extended hospital stay is necessary
- Daycare: the cost of someone else watching your child or the cost in foregone income to have one parent stay home *It can cost an estimated \$184,000 to raise a baby from birth to age 17.*

Step one--saving

The realization of what you'll be spending when the newborn arrives can be overwhelming; that's why it's important to have a financial plan of attack. Hetzel says parents should start by saving enough money before the newborn arrives to help pay for any unpaid maternity and/or paternity leave.

"The family who plans tends to be more willing and able to accept the life-long responsibilities of the decision," she says. "Couples decide that their life is less about themselves and instead will make decisions benefiting the children and family."

Start by assessing your current finances. When reviewing expenses, Hetzel offers these tips:

- Spend less than you earn--now and when the baby arrives.
- Spend less on big-ticket items to help you save more money.
- Purchase a smaller home rather than the maximum a realtor might suggest you can afford.
- Eat at home rather than at a restaurant or ordering in.
- When living on two incomes, don't overspend as a pattern so that when you have a baby you're forced to continue with both parents working just to make mortgage and car payments.
- Determine wants vs. needs. You need transportation, but a new car every other year is a want. You may need a vacation, but going on a cruise is a want.
- If your daily expenses are not covered by your income, do not use credit cards to cover the gap. If possible, pay down or pay off your credit card balance.

Step two--protection

Even if you feel like you're scraping to get by, you still have assets that need to be protected. Consider these areas to see if you're comfortable with the level of protection available to your family.

- Life insurance: If you have life insurance, great. You even may want to boost your coverage to five to 10 times the amount you and your spouse make. If you don't have life insurance, now is the time to get covered. Term life insurance can replace income as well as cover college expenses for your child should the unthinkable happen to you or your spouse.
- Disability insurance: If you become disabled, Social Security benefits don't kick in until six months later--and that's only if you can't do any kind of work for a year. Check the coverage your employer provides and obtain disability coverage to fill in *"Finances, like parenthood, are different for each family."*

the gaps.

- Homeowners insurance: Keep an inventory--along with receipts and photos--of new baby equipment you've acquired, as well as all your other household goods. Make sure your homeowners policy has adequate coverage, as well as liability protection for babysitters coming into the home.

Step three--the future

Your finances may be in pretty good order for now, but it's just as important to plan for tomorrow as it is for today. As your child becomes elementary-school and high-school age, clothes and activity expenses will increase--and let's not forget about college. On top of that, you still need to plan for retirement.

You may never feel financially prepared enough, but that's not uncommon among new parents. Just do your best and cut back where needed. And most of all--enjoy your new family.

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