

The Financial Readiness Guide for New Parents



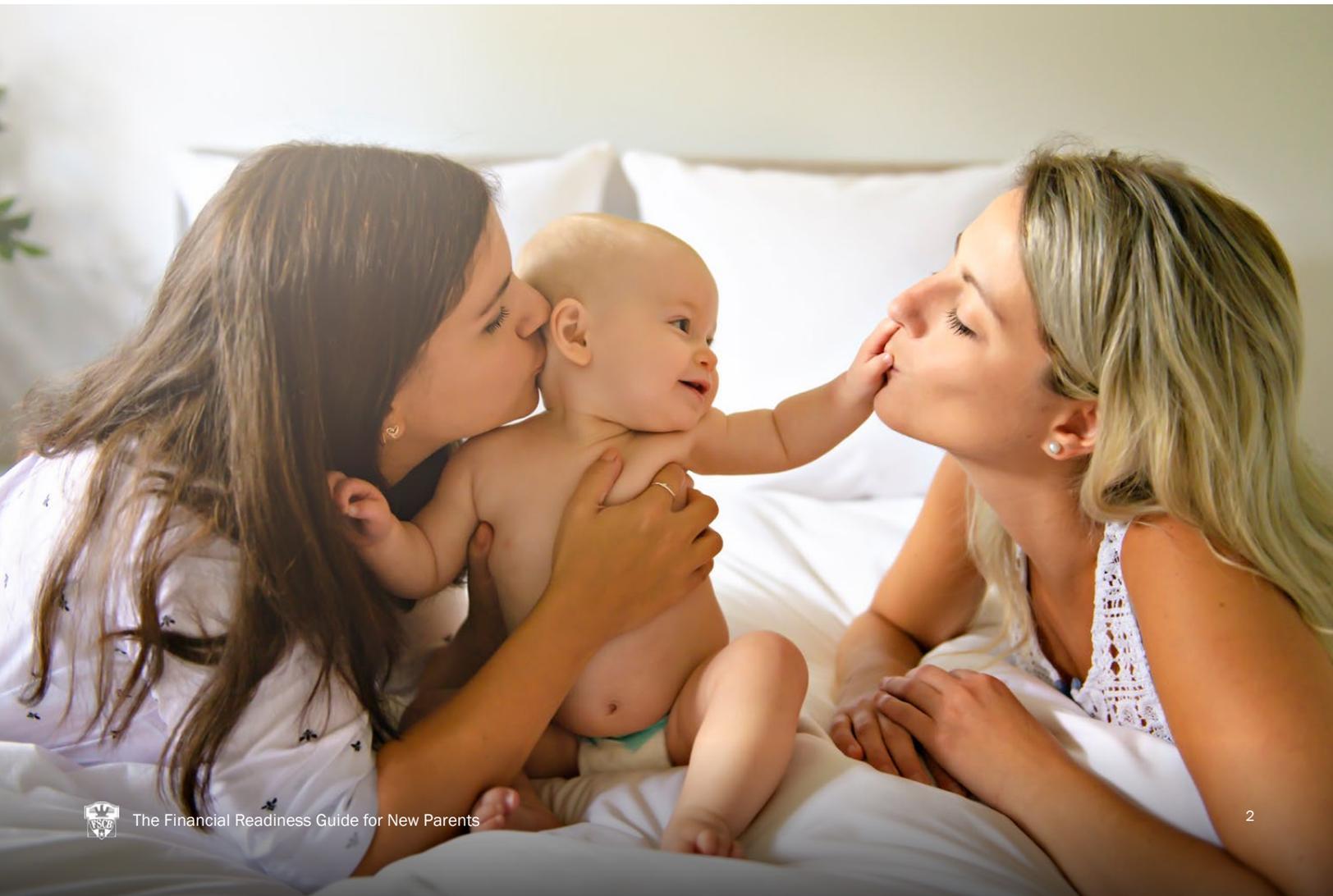
Success Starts Here.



First State
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Introduction

For many adults, the decision to become parents is one of the most life-changing decisions they will ever make. And it often involves a number of smaller decisions, ranging from whether you feel personally ready to take on the responsibilities of a child to whether or not your finances are in the right place to start a family.

Children will change virtually every aspect of your life, placing new demands and challenges on your shoulders. Although that's a thrilling proposition for many would-be parents, it can also be scary—especially when trying to decide if you're prepared for that phase of your life. Experts estimate that the cost of raising a child from birth to age 17 [is now more than \\$233,000](#) for an average, middle-income American family—and that doesn't even include the cost of college, if your child decides to attend.

On top of that, new and future parents often feel intense pressure to be “perfect” in the eyes of friends, relatives, and even their own parents. This pressure can make parenthood feel even more daunting and uncertain.

Children will change virtually every aspect of your life, placing new demands and challenges on your shoulders.



But those outside pressures shouldn't stop you from pursuing your dream of starting a family. If everyone waited for perfect finances to have children, nobody would ever become a parent. Perfection isn't the goal—instead, you just need to take whatever steps you need to feel financially ready to welcome a baby into your home.

Whether you're exploring the idea of starting a family or your baby is already on the way, there are plenty of things you can do to prepare yourself and your finances for the baby's arrival. In this guide, we'll walk you through the steps you can take to enter parenthood on solid financial footing.



Before the Baby

Before you actively try to start a family, you have an opportunity to review your finances and determine whether certain lifestyle adjustments, savings goals, or other financial changes might help improve your financial readiness.

This period of time should also be used to evaluate the expected costs of becoming a parent and to create a plan for how you will afford these costs while adjusting to other changes as a result of starting a family.

What you can do:

- ✔ **Determine whether your job offers paid maternity or paternity leave, or whether you have to take unpaid time off.** If you have to give up income during maternity or paternity leave, you will want to make sure you can still cover your bills over that time. This may require additional savings.
- ✔ **Decide if you need to move to another residence.** As you add another member to your family, does your current home have enough space? If you feel you need to upgrade, this will increase your monthly living expenses.

This period of time should also be used to evaluate the expected costs of becoming a parent.



 **Research your childcare options.** How will you take care of your child after maternity or paternity leave is over? Research local daycare rates in your area if you're considering this option. Alternatively, you may have a friend or family member willing to offer part-time or full-time care.

- Is one parent willing to be a stay-at-home parent? This eliminates childcare costs, but it also reduces your monthly income. Calculate these costs to determine whether you can afford a stay-at-home arrangement.

 **Draft a budget for your child's first year.** After you estimate the costs of childcare, your mortgage or rent, and your monthly income, create a new budget that structures your spending for the first year.

- Don't forget to factor in the added costs of having a baby. Diapers, formula, baby food, clothes, toys, and other items can add up quickly. Use our [financial coaching tool](#) to build a monthly budget that accounts for your baby's costs.

 **Make revisions to your retirement savings plan, if necessary.** As you add the cost of children to your list of obligations, you may not be able to save as much for retirement—especially early on, if you're also paying for childcare. If you need to cut back on retirement saving, consider talking to your financial advisor about how this will impact your retirement goals.

 **Plan for unexpected medical costs.** A stay in the NICU or other unexpected complications could create medical costs that surpass what you've planned for. Consider funding a health savings account and/or setting aside additional money to cover those surprise bills.



- ✔ **Start or grow your emergency fund.** As your living expenses rise with the arrival of a child, your margin for financial errors grows smaller. Build up your [emergency fund](#) ahead of the baby's arrival to give yourself a much-needed financial cushion.
- ✔ **Discuss long-term savings options for your children, such as a college savings fund.** You may not be ready to open a 529 College Savings Plan account or another savings vehicle for your child—and that's OK! You've got plenty of time. But it's smart to at least [discuss various savings](#) scenarios to get an idea of what your future savings plan might look like.

The more you plan before the baby arrives, the more prepared you will feel as the due date draws closer.

When Baby Is on the Way

Once you know your child's due date, you've got a tight deadline to take care of as many tasks on your financial to-do list as possible. Here's a checklist to make sure you don't miss anything important:

- ✓ **Get on the waitlist at your preferred daycare center, if you plan on using this childcare option.** Many daycare centers have waitlists that can be months long, so it can be hard to find a daycare destination for a newborn at the last minute. Visit your top choices and get your name on the waitlist to secure your spot for the future.
- ✓ **Choose a pediatrician or family doctor.** If you've already established care with a family doctor, you might decide to keep your child with that provider. If you want a pediatrician or need to establish care for the first time, many doctors are willing to conduct a brief sit-down meeting with parents during which they can answer questions and discuss their approach to patient care.

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 **Set a plan for maternity and/or paternity leave.** You will need to decide how long you want to take maternity or paternity leave for, based on your finances and how long your employer offers time off. Communicate this plan in writing to your employer.

- If you opt for a short maternity leave, don't forget to factor in the added cost of childcare that may come with that decision.

 **Fill out any necessary paperwork with your employer's HR department.** By filling out this paperwork now, you guarantee you won't have to deal with paperwork after your child's arrival.

 **Purchase baby room furniture and other supplies you will need for your child.** You may want to dedicate part of your monthly budget to saving up for bigger expenses such as a crib, stroller, or car seat.

- Don't forget to ask friends or family for any hand-me-downs they may have. Safety items such as car seats should always be purchased new, but many other items can be borrowed or bought at a low price, cutting down your baby costs.
- Ask a friend or family member to host a baby shower to collect useful items and monetary gifts from members of your community. This can help ease the financial burden of having a child, especially in those first few months.



- ✔ **Continue to pay down debt and grow your savings.** The more you save and pay off now, the more financially stable you will be as parents.
- ✔ **Don't forget to enjoy your final days as childless adults.** You might feel a lot of financial pressure with a baby on the way, but take advantage of your current circumstances and treat yourself to a nice night out, or even a small “babymoon” as you approach a new phase of your life.

Last but not least, don't wait until the last minute to tie up any financial loose ends. Due dates are only a recommendation—the baby may decide to come early!

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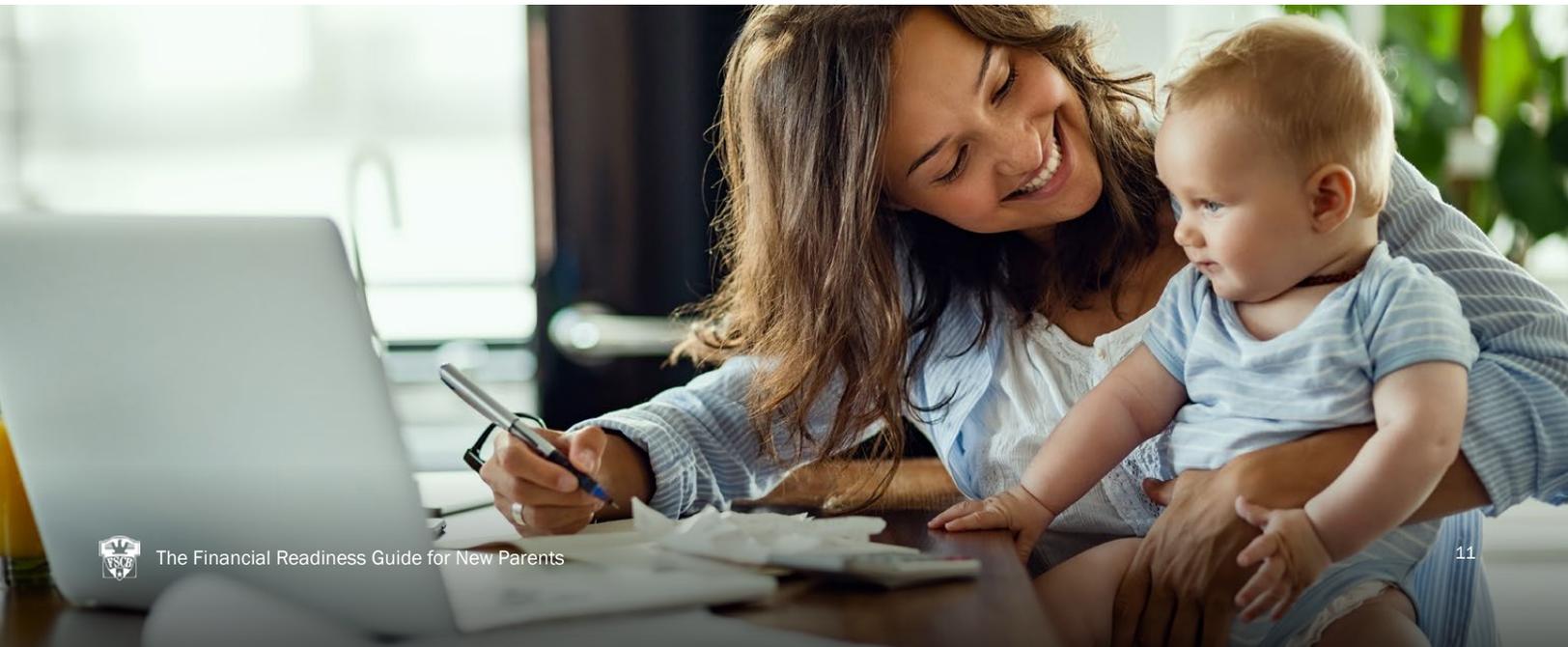
When Baby Arrives

Congratulations! You're parents. You may be sleep-deprived and full of love for your little one, but there are still some financial tasks to keep in mind:



Get your paperwork in order. A new child brings a lot of paperwork, including several paper-based processes that have a significant impact on your financial security, both now and in the future. Make sure you take care of the following steps:

- Add your child to your health insurance plan. Many insurance companies will set a deadline by which you must add a dependent after a birth, so do this as quickly as possible.
- Purchase or expand your life insurance policy. You will want to add your child to your policy, and you may want to increase the payout amount for you and/or your partner given the increased cost of raising a child.
- Purchase disability insurance, if necessary.
- Update your tax forms to make sure you get whatever child credits you qualify for.





Open a dependent care flexible spending account (FSA), if you plan on paying for childcare. This account allows you to annually deposit up to \$5,000 of pre-tax income into an account that will reimburse you for some of your childcare costs. This is a great financial product that will save you hundreds on taxes and provide some financial relief from the high cost of childcare.



Open a 529 College Savings Plan or other savings account for your child, if this is one of your financial goals. Name your child as the beneficiary of that account (you can always change it later, or add additional children as beneficiaries to that same account).



Establish new short- and long-term financial goals for your family, based on your new financial circumstances. This could include revisions to a plan to save for a down payment or to the amounts you're saving for retirement. Consult with a financial advisor as you revise these goals.



Review your financial plan at least once a year. As earned income and living expenses change, you will want to review your finances and make sure you're on track to reach your goals. Additionally, you may want to change your goals or add new ones over time—and these should all be reflected in your financial plan.

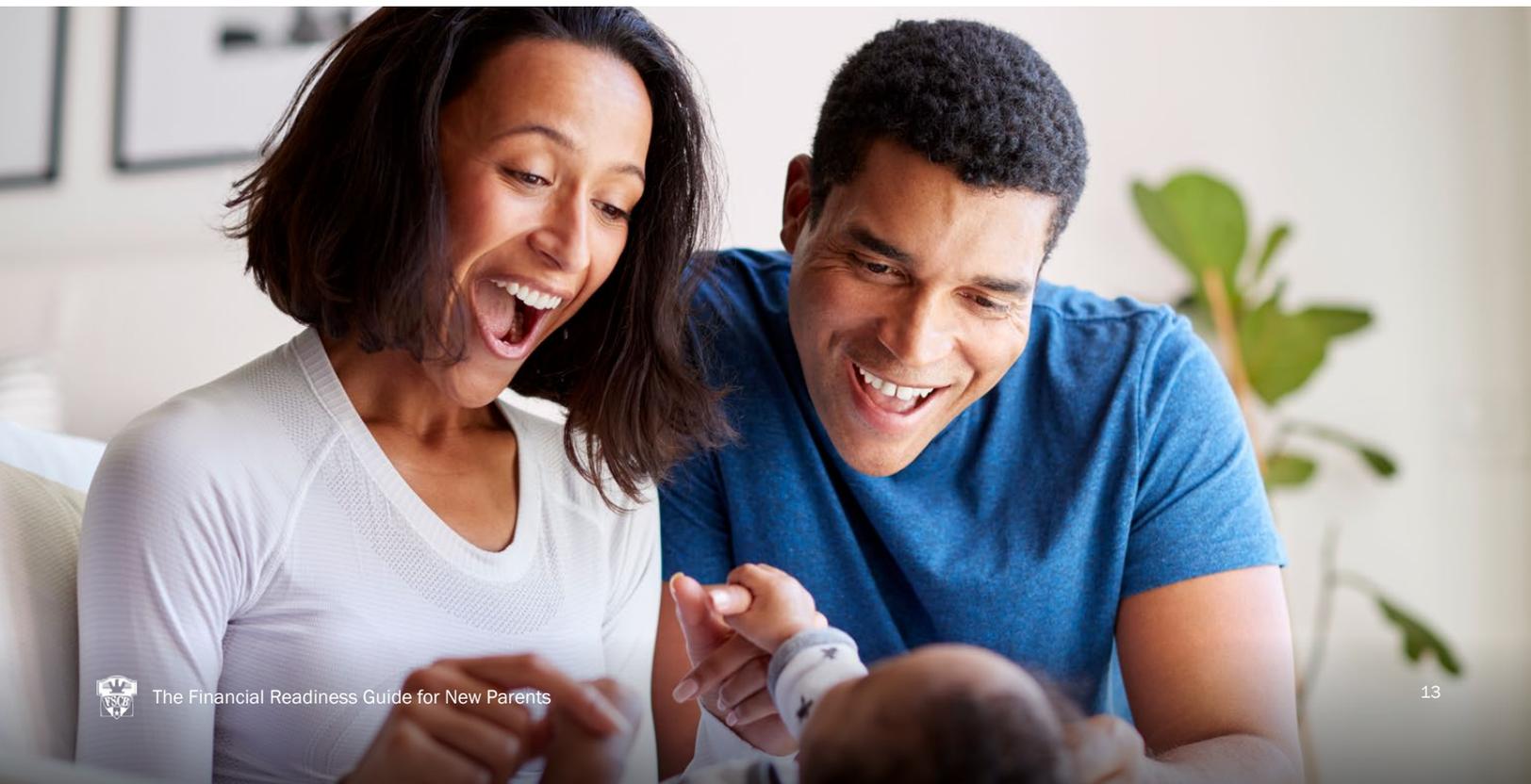
- You will also want to review your financial plan whenever you have another child on the way!

Financial planning is never quite “done” as long as you have kids in your house. But by starting off on the right foot and always planning ahead, you can create financial peace of mind that lets you focus on being the best parent for your new child.

Conclusion

Between medical and childcare costs, potential lost income, and the costs associated with clothing and feeding a new child, becoming a parent can be financially overwhelming. The best thing you can do is to start planning early and lean on that preparation to help ease the burden that children will bring. Even if starting a family changes the course of certain financial goals, don't sweat the details. Remind yourself that becoming a parent was also an important goal of yours—maybe more important than any other financial goals you've set. Plan ahead for your financial future, but don't forget to enjoy the present.

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About First State Community Bank

Since 1954, First State Community Bank has been a leading financial resource to residents and businesses across the State of Missouri. First State Community Bank has built its reputation on an unyielding commitment to delivering the best possible service to customers and partners, from the Junior Savers who open an account with \$1 to those applying for multimillion-dollar commercial loans. Our mission is to help our customers achieve financial success on their terms, whether that means buying a new home, starting a business, or planning for retirement. We are here to help you reach your financial goals today and into the future.

Ready to start fresh with a better bank?

Connect with the FSCB team today for professional help with creating a financial plan for your future.

[Get in Touch](#)