

<http://www.theexaminernews.com/prudent-portfolio-youre-having-a-baby-but-are-you-prepared-financially/>

The Examiner

Also: *White Plains Examiner, Northern Westchester Examiner and Putnam Examiner*

Prudent Portfolio: You're Having a Baby But Are You Prepared Financially?

AUGUST 23, 2017 BY EXAMINER MEDIA

By Peter Chieco



You are having a baby, and while it is a very exciting time for your family, once the glow of anticipation wears off, you realize there are a million things to do in preparation.

At the top of the list is setting the financial stage. Adding another person to your life changes everything, all the personal dynamics and most certainly all the finances. There is more food to buy, more space to be allocated and more clothes. More, more, more.

There are many theories about what to do and how to do it, but most experts agree that establishing a budget is a crucial first step. You can't know how much to spend until you know how much you have to spend, so making that list and checking it repeatedly is a "must do" item.

While your budget will include some of the usual costs for running a household, even one that is expanding, there also are some others you should include. For instance, even if you have a good insurance policy with pregnancy benefits, there may be costs that aren't covered in addition to the deductible and co-pays, so you should estimate those medical costs as closely as possible and add them to the budget.

Many employers allow for medical leave, some paid and some unpaid. If you are planning on taking time off from your job either before or after the birth, and not all of it is paid, that should be included in your calculations as well.

If the cost of having a newborn turns out to be more than anticipated, either from higher than projected medical costs or lower than expected income during and after the pregnancy, there may be ways to mitigate some of those expenses.

Consider making a list of things that are needed versus wanted, and pare down the number of things you buy. You will spend less money and not clutter your nursery with gadgetry that may be used only rarely or not at all.

Preparing for the baby before he or she is born, of course, is not the end of your financial responsibilities. There are myriad issues to attend to for years afterward, including adding the newborn to your health insurance and possibly buying additional life insurance.

While you are working on insurance you also may want to review your list of beneficiaries and adjust it accordingly. The same goes for your will, trusts you may have or want to establish and any retirement accounts where you can add children as beneficiaries.

One of the most costly expenses involved with child rearing is college. Far too many of today's college graduates start their careers deep into debt due to mountains of student loans. Nonetheless, there are many ways to try to offset the costs of college long before your child even has to worry about SAT scores.

Financial aid is based on income and assets from the prior year, so students applying for aid while holding considerable funds in their own names could end up losing out on some types of assistance. Nevertheless, one way to help is to open a 529 college savings plan – a higher education savings plan administered by a state or educational institution that is designed to help families plan and save for future college costs.

It should be noted that there are benefits and restrictions to these options. Careful research should be applied before making a choice. A good accountant and financial adviser can be invaluable as well.

Keep in mind that saving just \$20 a week at, say, 5 percent will yield \$36,108 in 20 years.

Being a parent is a commitment with both challenges and rewards, and nothing about the job comes easily. However, the path to adulthood can be smoothed considerably by

making smart financial decisions early and applying the same diligence to researching those decisions as you would for baby food, clothing and furniture.

Having successfully raised three daughters into adulthood, starting early in saving for school and even for weddings can allow you to enjoy the gift of helping your child get a great start in life.

Peter Chieco is a financial adviser with the Global Wealth Management Division of Morgan Stanley in Greenwich, Conn. He can be reached at 203-625-4897.

The information contained in this article is not a solicitation to purchase or sell investments. Any information presented is general in nature and not intended to provide individually tailored investment advice. The strategies and/or investments referenced may not be suitable for all investors as the appropriateness of a particular investment or strategy will depend on an investor's individual circumstances and objectives. Investing involves risks and there is always the potential of losing money when you invest. The views expressed herein are those of the author and may not necessarily reflect the views of Morgan Stanley Wealth Management, or its affiliates. Morgan Stanley Smith Barney, LLC, member SIPC.