

Budgeting for baby: A checklist

Babies are one of God's greatest blessings. And, as with all blessings, there's work we must do to ensure we're prepared. For expecting parents, the preparation can feel overwhelming. Our goal with this checklist is to remove at least some of the stress that comes with getting ready. Follow these steps to get your finances in order so you can focus on what matters most.

Before baby

Even blessings can come with a bill. The average American family spends close to \$20,000 giving birth, with more than \$2,500 coming out of pocket. Of course, these costs vary based on your insurance coverage, where you live, and the details of your pregnancy, but you can see why planning ahead is essential.

CHECK YOUR INSURANCE

Qualified insurance plans must offer the coverage below regardless of when you became pregnant. If you're insured via an employer and do not have the following coverage, you may want to follow up.

- Prenatal care, including checkups, bloodwork, and ultrasounds.
- Genetic testing for baby.

- Labor and delivery.

- Breastfeeding counseling and equipment.

- Postnatal care for baby, including checkups and shots.

- Mental health care, if needed (e.g., for postpartum depression).

WHAT DOES COVERAGE ENTAIL?

Just because a service is covered doesn't mean it's free. You may be required to pay a deductible, coinsurance, or other out-of-pocket costs.

CAN YOU UPDATE YOUR COVERAGE?

You may be able to switch your insurance (or purchase additional insurance) on the marketplace during open enrollment in November. Outside of open enrollment, you'd need a qualifying event to switch your plan.

Note: *Having a baby is a qualifying event. (Pregnancy is not, but once the baby is born, you have 60 days to apply for a new plan.)*

Questions about purchasing health insurance on the marketplace? [Learn more here.](#)

During pregnancy

Once you're expecting, you'll have the next nine months to prepare your finances for the major changes ahead. Be sure to discuss the following:

PARENTAL LEAVE

- Talk to your partner about how much time you will each take off.

- When will you take leave (and will your parental leave windows overlap)?

- Will your leave be paid, unpaid, or partially paid?

- Check state laws and company policies. These vary and will likely impact your discussion.

- Discuss how your family income will be impacted by your plans for parental leave, as this may impact subsequent financial conversations.

CREATE A BABY BUDGET

- List what you need, organized into essentials and nonessentials.

- Register for gifts. Whether or not you decide to have a baby shower, registering can help you build a budget.

- Create a realistic budget to buy what you need to from your list.

CHECK YOUR EMERGENCY FUND

- Consider increasing it. Babies can come with unexpected expenses, and if your income is in flux due to work breaks, you may need to increase the size of your rainy-day fund.

- If you don't have an emergency fund, start one.

ESTIMATE CHILD CARE COSTS

It can be hard to search for child care (much less budget for it) once you have a newborn to care for.

- How much child care will you need? Even if one of you plans to stay home with baby, it's likely you'll still need a babysitter occasionally.

- How much does child care cost in your area? Look at average prices for babysitters, nannies, au pairs, day care, and so on. Research shows families can easily spend more than 20% of their income on child care.

REVIEW YOUR LIFE INSURANCE

- Are you covered? (One or both of you? With what size benefit?)

- Is your coverage connected to your job?

- Evaluate the amount of coverage in light of your new addition. Is the death benefit enough to cover college tuition or the expenses associated with raising a child? If not, you may want to increase your coverage. Plus, if your coverage is connected to your job, you may want to take out a supplemental term policy.

After baby comes

Once you're expecting, you'll have the next nine months to prepare your finances for the major changes ahead. Be sure to discuss the following:

ADD YOUR NEWBORN TO YOUR HEALTH INSURANCE POLICY

If you aren't sure how, reach out to your insurance provider or have the covered spouse talk to human resources.

The rest of the financial considerations can wait. Once you've settled into life with your new addition, take a moment to:

CONSIDER LIFE INSURANCE FOR YOUR KIDS

As your children age, you may start to invest significantly in them and their future. Life insurance can help you protect that investment.

SET UP A COLLEGE SAVINGS ACCOUNT

College costs continue to skyrocket. Start a college savings fund as early as possible to take advantage of time and compounding.

Note: *To open a 529 plan for a child, you need their Social Security Number; if you want to open an account before the child is born, you can open the account using your SSN and transfer the owner (or beneficiary) to the baby when you know their identification details.*

KEEP SAVING FOR RETIREMENT

With new obligations competing for your time, money, and attention, it can be easy to deprioritize other financial goals—like retirement. If you haven't already automated your retirement savings, do so now. This will ensure you continue investing in yourself so you're in a better position to support your child.

TALK TO YOUR TAX PREPARER

You want to notify relevant tax professionals that you've added a dependent to your tax return as there may be new paperwork to complete. Beyond that, ask whether you need to update your overall tax plan beyond just preparing returns.

You're not in it alone

As with most things, you may not have the answer to all these questions right away. But we hope this checklist helped you get started on some important conversations about how to finance your growing family. If you reach any sticking points, we're here to support you.