

Financially Preparing for Your First Child



Many people dream about growing up and having a family, but very few people are practical enough to calculate how much it will really cost. The truth is that your dream come true can become your worst nightmare if you don't plan ahead financially. Your new bundle of joy can end up costing a bundle unless you are organized and prepared to pinch every penny until it screams.

In this guide, we will be discussing how to budget for your first baby, and practical action steps you need to take in order to secure your and their financial future. Let's start with a look at the actual projected costs of raising a child.

The Average Cost of Bringing Up a Child

The most recent estimate for the average cost of bringing up a child comes from [CNN Money](#). As of January 9, 2017, they estimated that it cost \$233,610 in 2015 to raise a child from infancy to age 17. College years will obviously cost extra. The annual total parents can expect to spend is estimated at between \$12,350 and \$14,000 each year.

The child is expensive in infancy because you need so many new things. However, there are ways of getting the essentials cheaply if you know what to expect.

The cost of housing also makes up about one-third of the cost of raising a child, as people get a larger apartment or even buy a home and take on a mortgage in order to have room for their growing family.

Diapers do cost, and so does the amazing amount of laundry one tiny person can create. Food is another top expense, and will increase as the child gets older, peaking in the teen years. If a woman breast feeds, she can save on formula. A breast pump and bottles can take the burden off the mother and enable others to help with the feeding.

The lost wages a woman will encounter due to maternity leave can be considerable, and incalculable. Those with poor maternity leave provision will not have money coming in, and lots of expenses going out. In addition, the gap in work of at least three to six months can cost in terms of career as well, with the woman being seen as less promotable because she has been away.

Even if she wants to rush back to work, many daycare centers will not accept a child under six months. This means staying home, getting help from a family member, or hiring someone. Some workplaces offer Flexible Spending Accounts (FSA) for dependent care. You're allowed to save up to \$5,000 per year from pre-tax dollars, but you must be married and file a joint tax return. Otherwise, the limit is \$2,500.

There are also FSA accounts for healthcare spending. The limit is now \$2,600 annually. This can help offset the costs of doctor's visits, prescription medications, and even many over-the-counter items if you have a prescription for them from your doctor.

Childcare expenses can total around \$37,000 per child, with most of this spent during their pre-school years. Transportation, food, healthcare and clothing costs will all increase as the child gets older.

Dealing with the Unexpected

The dream of having a family can turn into a nightmare due to the unexpected. Women who have trouble conceiving will have greater healthcare costs, particularly if they opt for fertility treatments and/or IVF.

Some women have problematic pregnancies, such as being in danger of having a miscarriage, in which case they won't be able to work right up until the time the baby is born. Others might develop high blood pressure or gestational diabetes and also have increased healthcare costs.

We all dream of a perfect baby. However, this is not always the case. Some babies are born prematurely and need round-the-clock care. Others have certain health issues that need to be treated in the hospital, like jaundice. Still other might be born with birth defects or other health issues, such as Down's syndrome.

The only way to prepare for the unexpected is to make the most of whatever money you do have coming in, with a workable budget that will cover all the essentials, and a focus on saving rather than spending.

It should also mean planned parenthood, that is, having a baby with a schedule in mind rather than by accident. Nature will of course have a role to play, but modern couples have many birth control options and women as well as men are tending to favor having a family later in life, when they are more established in terms of their career and finances.

But of course, a baby on the way means rolling up your sleeves and getting ready. Let's look next at financial preparedness once you are expecting your first child.

Financial Preparedness for Your First Child

As soon as you know you are expecting, or your partner or spouse is, it's time to get to work. Take a 360-degree look at all of your income, expenses, and insurance. Begin a budget that will account for not just your present expenses, but also things you will need to buy for baby and future necessities.

Start Using Financial Software

It can help you track your expense and manage your budget.

Budgeting Better

Try to institute a spending freeze and savings surge by looking at your budget and trimming the fat. You need to make the most of your income and save as much of it as you can in order to cover lost wages in relation to the pregnancy and maternity leave.

Make a list of how much each of you brings home each month. If one of you has an unpredictable income, such as through running your own business, working on commission, or working in a service job that relies on getting tips, estimate by taking an average of your best month and your worst month.

Centralize all the paperwork and bill paying. The last thing you want is to pay late fees. If you have credit card debt, assess how much you owe and try to pay down part of it. This will increase your credit score in a number of ways, including what is termed your credit-to-debt ratio. Basically, this means you want to owe less than 40% of what you earn in a year. The lower the ratio, the better.

Next, write down all your essential monthly expense, such as rent, mortgage, utilities, car costs and/or transportation costs to and from work, and so on. Anything other than these essentials and some food will be a luxury.

Opt for In-Network Doctors

Be sure your gynecologist/obstetrician is in your network. Choose a pediatrician who is as well. Babies will have to go to the doctor regularly, so this is one of the best ways to keep your costs low.

Determining Your Maternity Benefits and Health Care Coverage

Be sure you are clear about what you are entitled to. Check co-pays, deductibles and so on to determine how much you can expect to pay for your ob/gyn services. Also determine costs between natural birth and a Caesarean section, which can often be done on an emergency basis if the labor does not go quickly.

Check all of your insurance statements, co-pays and other paperwork and keep them all in a safe place. In the US, if you spend more than 10% of your salary on medical expenses, you can deduct it from your taxes. This can include treatment, medication, and even transportation back and forth, so keep good records.

Other Forms of Insurance

In some cases, employers offer both short-term and long-term disability. Be sure you understand your entitlements. In terms of long-term disability, it will often pay only around 66% of your regular salary, but in some cases, you can buy up on the plan so it will be as close to your regular salary as possible.

Be sure you have life insurance. Hope for the best, prepare for the worst, and no one will ever have an unexpected surprise. You will need the full details of each person you wish to list as a beneficiary.

<https://www.term4sale.com/> is a good site for checking out costs and options. Take the time to discover the different types of life insurance. Some can actually be used to invest money for future financial security.

Apply for a Social Security Number as soon as Baby Is Born

Then add their data to your list of beneficiaries for your insurance, if you so choose.

Order Official Copies of Baby's Birth Certificate and Keep Them in a Safe Place

An official birth certificate is an important document that will be needed for various reasons throughout a person's life, including getting a passport.

Order a Passport

Talking of passports, if you have family overseas, or you and your spouse do a lot of travelling, order a passport for your new baby as soon as the doctor says it is safe for baby to travel.

Ask a Family Member to Open a 529 College Savings Account for Baby

A 529 account is like a 401k, but the money will be payable directly to a school or college, or used for books and supplies. It can be used to pay for K-12 and college, and also student loans. Do not open it yourself, however, as any money saved would be taken into account when assessing your child's financial aid package.

Instead, ask a family member living in your state, if possible, to sign up. Give them the social security number. Review the mutual funds prospectuses to choose the best investments for the money.

Ask the account holder to apply for a [Upromise credit card](#) that will give cash back on all purchases. Link your loyalty cards for supermarket, gas, and so on to the account, which will also give you automatic savings.

Make a Will

This sounds morbid, but unexpected things happen every day and passing away without a will can lead to all sorts of administrative issues for the family you leave behind.

Consider Getting Life Insurance for the Baby

No one likes to think about anything going wrong, but for a small premium, you can get a policy that would cover end of life and funeral costs in case the worst ever happened.

Sort Out All Your Important Financial Paperwork before Your Due Date

Many people leave things until the last minute, and end up with chaos. File your taxes, pay your bills online or via mail, and set up autopays if you or your spouse have a regular income being directly deposited into a bank account.

Make a list of credit card due dates if you owe any money, and count back ten days to when you need to send a payment in the mail or online. The last thing you want are late fees or overdraft charges.

Re-Calculate Your Budget for the Two Years

This can be hard to predict, but with the average cost per year estimated at around \$12,000 to \$14,000 annually per child, add \$1000 per month to your estimated costs.

Also take into account one partner not working, and/or the scenario of going back to work and needing daycare, and more. Your new family budget will constantly feel as though it is a work in progress, but do the best you can to keep track of what things cost and try to get by on one income. Some couples find they get so good at it that the second salary becomes savings, not spending money.

Childcare Planning

You might also discover, as many people do, that it might cost you money to hurry back to work too soon because you have to start paying for childcare. Two final things to consider as a couple are:

- Who do you want to raise your child during their most formative years?
- Are there ways to make the most of you deciding to stay at home?

<http://www.childcareaware.org> can help you explore all the options in your area.

Consider Your Earning Options

There are a number of ways to boost your earnings before baby, and which can help you tick over afterwards.

Will your company let you work from home? Or would it be possible to start your own business from home such as online, for automated income such as through selling ebooks or affiliate marketing (selling products for a commission). Once baby gets into some sort of routine and you've got your housework under control, you can make the most of your chance to be at home.

You might also be able to do freelance work in your area of expertise while you are home with the baby. Some women even take in other children who are too young to be accepted by daycare, for extra income.

Some couples also realize that they will have to pay more for childcare than the woman will be bringing home, in which case it does not make sense to hurry back to work - especially if it is just a job rather than a decent-paying position with good benefits in a career with good prospects.

It's important not to overdo things when you have a newborn at home, but if you can't or don't wish to rush back to work at the end of three months, it is a relief to know you have a range of options.

Plan Paternity Leave

If paternity leave is available, make the most of it. It will give you time to recover from giving birth and to bond with your new baby.

Check in Financially Every Three Months

Review your budget every three months, from the time you know you are expecting, right the way through the pregnancy to the end of baby's first year. Make sure you are controlling spending and making the most of savings, and that your budget reflects any significant changes in income and expenses.

Check the Compulsory Education Provisions in Your State

Some states have compulsory education only for children age six and up. Everything else will need to be funded by you. This means either staying at home, or working at home or going back to work. Knowing what to expect can help you to plan ahead. In some cases, you can start children at school as young as the age of three, for pre-kindergarten and kindergarten.

Also factor in the cost of after-school programs if you won't be able to pick up your child at 3 pm every day. You will usually have to pick up your child by 6 pm at the latest, which can be tricky if you are both working 9 to 5.

Car Costs

Is your current car large enough to cope with a baby car seat and baby things? If not, you may have to get a larger car. Choose one with a great safety rating and good mileage. If you are a "green" person, consider getting a hybrid.

Check how a new car will affect your monthly payments if you finance it, and the impact it will have on insurance premiums. Shop around for insurance quotes. [Progressive](#) has a handy website to get a quote and will list different options including their own, so you can be sure of getting the cheapest deal.

Since they also offer other kinds of insurance, such as renter's or homeowner's insurance, they will usually offer a discount for each additional policy you take out.

If one of you really needs a car for work and the other has to have a car to transport baby back and forth to appointments and so on, consider adding a second car to the household.

Check Your Insurance and FSA Provisions

Most people have to choose their benefits the November prior to each new calendar year. In some cases, you may be allowed to make changes to your choices based on what is called a "life-changing event" such as pregnancy and an addition to the family. Don't be afraid to ask.

Get into the Habit of Keeping All Receipts

Some can be used for tax deductions. It will also help you keep track of what you are spending. And if you make a mistake, you can return items more easily in order to get a refund or store credit.

Check Your Credit Score

Most people do this in January every year, but it always pays to check. Remember, the better your credit score, the better rates you can get on mortgages, car finance and so on.

Check Your 401k, If You Have One

Be sure you are getting the most for your money.

Sign Up for Disability Insurance If You Have No Maternity Coverage

When buying the policy, be sure pregnancy and any related complications are covered by the plan. [NerdWallet](#) has more information on disability insurance.

If you change insurance carriers, see if pregnancy is deemed a pre-existing condition. In this case, you might not get coverage.

Check with Health Insurance in Relation to Any Pre-Approvals

Don't assume they have the entire picture or that just because your doctor recommends something, or has a particular hospital affiliation, that you will automatically be covered.

Check Your Ambulance Provision

Be sure you have an idea of how to get to the hospital when it is time. Some insurance policies don't give full coverage for ambulance services (even though they might have been essential) and/or only waive the fee if you are admitted for a hospital stay. This could mean \$1,000 or so in unexpected expenses if you are not careful. Be safe, but be clear about what is an emergency and what isn't.

Planning ahead will make things easier, allowing you to enjoy those first months and even years with your first baby without worrying constantly about money. But of course, the main thing you can control is your spending. Let's look at smart shopping for baby in the next section.

Shopping Smartly and Strategically

Your first pregnancy can be the most exciting time of your life, one of joyful anticipation. It's a time filled with ultrasounds, nursery decorating, and a baby shower. It is also one of the most important times for you and your spouse to create a budget and stick to it. While it is true that you can expect some gifts for the baby, it is also true that a great deal of it is an unnecessary luxury, and/or of zero use for a newborn infant.

Get a Copy of [Baby Bargains](#) by Denise and Alan Fields

The authors offer a range of ways to save up to 50% on baby essentials. They also offer helpful advice on how to sketch out a baby budget, such as:

- Maternity/nursing clothes: \$100
 - Stroller, car seat: \$400
 - Baby sling/carrier: \$50
 - Teething blanket & burping pads: \$50
 - Crib with mattress: \$300
 - Traveling crib/playpen: \$200
 - Changing table and dresser: \$400
 - Bedding and decor: \$300
 - Newborn baby clothes: \$300
 - Miscellaneous: \$500
- TOTAL: \$2,600**

Maternity Clothes

If you are working, you will need to buy maternity clothes at some stage. Get as much wear out of your regular clothes as possible. Aim for a few mix and match separates and one versatile dress you can wear for a range of occasions. Accept donations from friends and consider buying second-hand online, since the clothes will certainly not be worn out.

Registering Baby

You should register a list of what you need, with no luxuries included. Most people do not know what to expect, to do, or to buy. Fortunately, there is a lot of free advice out there, on websites and through word of mouth from other new moms.

Newborns

Newborns will need enough clothes and diapers to be clean and dry from one load of laundry to the next. You can buy inexpensive cotton clothing they will get use out of until they grow to the next size. Because they grow so quickly, the clothes won't wear out. This means you can get away with hand-me-downs from the start, through children's clothing swaps, garage sales and so on.

If you do buy new, remember it will come in handy for any more children. Once you are sure you will not be having any more, take them to the swap shop to get clothes appropriate to their ages as they grow.

Stick to gender-neutral pastel colors: white, yellow, cream, and green. Buy sleep sacks rather than pajamas, and baby booties. You will be changing the diaper so often, it is far easier to lift the hem of the sleep sack than struggle to get them in and out of leggings.

Another urgent need will be an infant car seat, because the hospital will not let you take baby home without one. An infant car seat, baby stroller and booster car seat once they are over 6 months can run to nearly \$1,000 if you don't shop smartly.

Do your research in terms of brands and safety writings. Then look in yard sales and at auction sites online. The infant car seat will be back facing. Often it can be put onto a set of wheels to make a stroller, or have a handle so it can be carried in and out of the house and used for the child to sit up in to eat, and so on.

Baby Bottles

You will need these no matter how you choose to feed. Make sure they are BPA-free and the nipples are latex and rubber free. You will also need a rapid bottle warmer and a microwave steam sterilizer to help keep the bottles sanitized.

A Baby Boppy

A [Baby Boppy](#) helps hold baby in place while feeding, will help them sit up, and can also be a wonderful cushion for a woman after giving birth. Get one with a removable cover that can be washed easily.

Baby Bibs and Burp Cloths

Babies spit up all the time. Protect their clothing and yours. You won't regret buying lots of these.

Breast Feeding

This is a great way to bond with baby. It is also very economical and allergen free. A breast pump will give you the freedom to feed your baby whenever and wherever you need to, and also allows your spouse and family members to help take turns.

A new breast pump with all the equipment, plus storage units, will cost around \$400 - good value compared to the cost and possible allergen risks involved in buying baby formula. A used pump will run to about \$100, with all of the personal parts, as it were, replaced. Ask your lactation specialist at your local hospital. You also have the option to rent, or rent to buy.

Not every woman produces enough milk to breast feed, but the pump stimulates production. Then it will be a case of deciding when to stop - usually when the child is old enough to drink cow's milk. It is a great solution for anyone worried about complete nutrition for their baby, and particularly good if their baby is allergic to formula.

Women will also usually need a special nursing bra and pads. A breast-feeding poncho is a good idea to keep things private and still be able to keep an eye on baby. <http://amzn.to/2fqcAun>

Again, this is not only a financial commitment but also a time and personal commitment that parents will need to discuss before their baby ever arrives.

Diapers versus a Diaper Service

Anticipate around 12 to 16 diapers a day for a newborn, down to about 8 after a few months. That's a lot of cost and trash.

Some parents are "green" and worry about the impact of disposable diapers on the environment, and on baby's skin. These diapers usually contain chemical crystals to hold liquid, but the diapers can pollute, as can the feces when a poopy diaper ends up in a landfill. A diaper service is a better option if you are concerned about the environment, and can be more economical too.

Compare prices and convenience. Also plan to potty train baby as soon as possible, starting from around six months onwards.

A Diaper Bag

This will hold everything baby needs when they are on the go. Some come as part of the stroller. Other parents like to use a backpack that either parent can carry. You should have room in it for a foldable baby changing mat.

Become a Smart Shopper

Start checking out prices on things your baby will need on a regular basis, such as diapers, formula and so on. Cut coupons in the Sunday papers and online.

Make the most of the new parent pack many hospitals give when it is time to take baby home. They will usually have samples plus coupons as well.

Consider Making Your Own Items

There are many all-natural recipes online for baby wash, homemade baby wipes, and more. Invest in some 100% plain cotton white washcloths. You will be amazed at how many things you can use them for.

This include your own fabric softener sheets for the dryer. Wash the clothes in a gentle detergent and fabric softener suitable for a child. Add some to a wash cloth and put it in the tumble dryer with the clothes. All of the items will save money and storage space.

Clip coupons from the Sunday newspaper or find them online, and then check your favorite stores periodically for sales. Shop the sales flyers each week. Check out the warehouse stores for deals and coupons, and chain pharmacies as well.

Baby Gates and High Chairs

You will only use these for so long before your child will outgrow them, so buying second hand is fine.

Baby Monitor

The same is true for a baby monitor, so you can buy it second hand.

Nanny Cam

This might be a worthwhile investment if you want to check in when you are away from the house and someone else is caring for baby.

Accept All Donations Gratefully

There's an old saying that it takes a village to raise a child. In the modern world, this can include donations of practical items from friends and family of items that their children have outgrown. Remember, the more you save on these items, the more you will have for other important things.

Utilities

You will be amazed at how much your water and electricity bills will go up due to more laundry, baths and washing out bottles and other baby-related equipment. You will use more electricity warming up bottles and leaving on lights on in the middle of the night. For a summer pregnancy and birth, you will use more air conditioning or fans. For a winter one, you will probably use more heating.

Babycare Items

You will need baby scissors for their nails, diaper rash ointment and vitamins. Some of these can be covered by your FSA funds. Also buy a large baby bathing sponge. You can use it on a countertop, or put it into a tub to stop the baby from slipping around like a little seal once it gets wet and soapy.

Convenience Foods

A lot of people end up resorting to take-away and expensive convenience foods to get by because they are so busy once baby is born. But home cooking is far healthier and cheaper too. Plan on filling the freezer with your own homemade ready meals. Master make-and-freeze meals, and bulk cooking. Eat once fresh, then freeze the rest.

Toys

It's tempting to buy a ton of toys. But the truth is, you can pick up a lot of these items second hand in thrift stores and yard sales, as children outgrow them and parents need to make room for more age-appropriate items.

A mobile, stuffed animal and some blocks and large-format jigsaw puzzles are all you will really need to start with.

Baby Photos

Every parent will want to show off their child. An online photo album, such as Google Photos, will allow you to upload your photos, keep them organized, and invite others to see the albums you have created. Decorate your home with an attractive digital photo frame.

You might also like to keep a printed baby album or a scrapbook or journal.

Baby Books

A collection of baby books, including waterproof bath books, are very practical and can usually be found second hand. Make the most of the local library as well, and yard sales.

Parenting Books

Invest in the "[What to Expect When You're Expecting](#)" series of books for moms and dads. They go from pre-pregnancy to pregnancy, birth and up to age one.

Dr. Benjamin Spock's "[Baby and Childcare](#)" is still a classic after 40 years.

Decorating Baby's Room Frugally

Some people do not buy anything or get the room ready until the baby is born and home safely. They will also know that for the first few weeks at least, baby will spend more time in a crib in their room than down the hall in its own room.

Every couple has its own preferences and beliefs. Decorating the nursery can be one of the best parts of new baby preparations. On the other hand, it's not necessary to go wild with lots of paint, wallpaper, garish colors, and so on.

There's no need to go all out, buying expensive designer cribs, bedding and décor. A newborn has very few needs other than clean clothes, diapers, formula or breast milk, bibs and burp cloths.

If there's a certain motif you want to use in the nursery, add it to your registry. Have a back-up plan in the form of complementary colors which will still make the room look great even if it does not have the Winnie the Pooh motif, for instance.

Make some of the items for the nursery yourself. You can often save money by buying yards of fabric featuring the characters or motifs you want to have in the nursery, and some cotton batting. You can create crib bumpers, duvets, curtains and more.

Visit consignment shops, flea markets and yard sales. You can often find great deals on cribs and gently-used nursery items.

Try outlet stores, or the outlet section of your favorite online stores. You can get spectacular deals on new items. Some might have minor flaws, but in many cases the manufacturer has simply discontinued the product line and wants to get rid of the inventory.

Final thoughts

Expecting a baby can be one of the most joyful times in your life, but if you don't use your nine months (or even before) wisely and plan ahead for the financial impact of your first child, you could find your family really struggling. Do as much as you can to improve your financial situation, pay down debt, earn more, and make the most of all the help and insurance available to you. Then you will be better able to enjoy your new arrival.