

Don't let having a baby blow your budget

by Jason_Alderman

Raising a family is one of the most rewarding and fulfilling experiences in life, but also one of the most expensive. According to a U.S. Department of Agriculture survey, a typical middle-income family will spend nearly \$200,000 raising a child to age 18 - not including college costs or lost wages for a stay-at-home parent.

First-time parents are often amazed at how many "things" a baby needs. Top essentials include a car seat (required by law), crib and bedding, stroller, diapers, baby formula and food, medical and grooming supplies, clothing, and basic home baby-proofing (like installing electrical outlet covers). Add in a few nice-to-have items like a baby bathtub, rocking chair and baby pictures and suddenly we're talking thousands of dollars.

Hand-me-downs and resale shops can help keep costs down, but only up to a point. That's why it's vital to develop a budget and start saving right away.

Practical Money Skills for Life, a free personal financial management site sponsored by Visa USA, contains an extensive how-to guide called "Here Comes Baby" (www.practicalmoneyskills.com/baby). It features an interactive baby budgeting calculator, budgeting tips, childcare and education planning pointers, tax information and much more.

Here are some of the other expenses you'll likely encounter and ways to prepare:

Medical costs. Having a baby is expensive: Mothers need prenatal exams; normal delivery costs are already high, but complications such as premature birth can dramatically increase the bill; babies need well-baby checkups and immunizations; and - ask any parent - you'll visit the pediatrician many times those first few years.

Long before your baby is due, review your health insurance to fully understand your financial responsibilities. Consider deductibles and copayments for likely expenses like doctor's visits, hospitalization, medicines and vaccines, etc.

Even if your plan pays 80 percent, a 20 percent copayment for a \$10,000 delivery would cost \$2,000, on top of any deductibles. Want a private room in the hospital after delivery? That will probably cost more too. Find out if your obstetrician, pediatrician and hospital are "in-network" and explore how much your insurance premium will increase for family coverage.

Parental leave. Don't forget to set aside money to cover costs during maternity or paternity leave. The federal Family and Medical Leave Act (FMLA) allows up to 12 weeks of unpaid leave for the birth or adoption of a child. Ask your human resources department for more information or go to the Department of Labor's website (www.dol.gov/esa/whd/fmla).

Tax savings. Ask if your employer offers health care and dependent care flexible spending accounts (FSAs). They let you pay for eligible out-of-pocket medical and child care expenses on a pre-tax basis - that is, before federal, state and Social Security taxes have been deducted. This lowers your taxable income, and therefore, your taxes.

Alternatively, you can take the dependent care tax credit when you file federal income taxes. Your preferred method depends on your income, number of eligible dependents and other factors; however, FSAs usually provide the greater tax advantage for most people, especially as income increases. And remember, you're typically allowed to change your benefit coverage at work outside of the open enrollment period after having a baby.

Practical Money Skills for Life contains a guide to how FSAs work at (www.practicalmoneyskills.com/benefits). As always, consult a financial professional regarding your personal situation.

Don't let any of these expenses keep you from experiencing the joys of parenthood - just make sure you plan ahead so you're prepared.

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