

Planning for the Birth of a Child





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What is it?

Planning for the birth of a child is an exciting yet stressful time. Along with the fun of picking out a name for your baby and shopping for baby clothes comes the realization that you're now responsible for a new life. You'll naturally start thinking about what kind of life you want your child to have, and you'll need advice about financial matters that include budgeting, insurance, and estate planning.

Having a child will affect you financially

When you have a baby, it's a good time to review or make a budget. Your day-to-day living expenses may increase dramatically, while your income may decrease if you stay home with your baby temporarily or permanently. Your savings plan may change as well if you decide to save for your child's education or put a portion of your money into an emergency fund. In addition, having a child often affects your taxes positively. Due to the increased exemptions, deductions, and credits you may be able to claim, you may find yourself paying less income tax in the future.

Having a child will change your insurance needs

New parents need to protect their families by reviewing their current life, health, and disability insurance, making sure that their current policies are adequate, and purchasing additional insurance if needed.

Having a child means reviewing your estate plan

Planning for your child's future in the event that you die is crucial. You'll need to draw up or revise your will, nominate a guardian for your child, review your beneficiary designations, and make sure that your assets are distributed according to your wishes. You may also want to set up a trust to ensure that estate funds are used to benefit your child.

Other planning issues

Taking time off from work after the birth of your child

If you're working, you and your partner (if any) may need to decide whether either one of you wants to stop working temporarily or permanently once your child is born. Either of you may be eligible for short-term paid or unpaid leave from your employer, or you may be able to take up to 12 weeks unpaid leave under the Family and Medical Leave Act of 1993. If you do decide to work, you'll need to investigate child-care options, perhaps even before your child is born.

Applying for vital records after the birth of your child

It's important to remember to apply for vital records as soon as possible. For example, you'll want to apply for a Social Security number for your child as soon as possible after he or she is born because you'll need the number to fill out your income tax return for the year. In addition, you'll want to apply for a birth certificate. Many hospitals now routinely allow you to apply for these records before you leave the hospital with your child and will file the paperwork for you.

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