

What to Expect (Financially) When You're Expecting

You can never be fully prepared for how a child changes your life, but here are some ways to start.

If you're expecting your first child, your life is about to change in ways you can barely imagine. You've probably begun prepping things like a nursery, but have you done any prep work on your finances? They're about to change in significant ways as well.

Here are a few things to consider as you head toward the blessed event:

According to a study from the U.S. Department of Agriculture, the total lifetime cost for a baby born in 2015 amounts to \$234,000 from birth through age 17 for a middle-income family. For families in the highest income bracket, it's more like \$372,000¹.

These figures also vary widely according to where you live. The USDA has put together a calculator that you can use to figure the costs of raising a child based on your

region, the number of children you have, and other factors.

The expenses start with the baby's delivery. Even with insurance, giving birth can be very expensive. The average U.S. hospital delivery costs \$3,500, according to the Agency for Healthcare Research and Quality Healthcare Cost and Utilization Project. Caesarean sections tend to be about 50 percent more expensive than traditional vaginal deliveries². Add in prenatal and post-partum healthcare, and a new mother is on the hook for an average of \$8,802, even with health insurance, according to a Thomson Healthcare study for March of Dimes³.

Things look a lot worse without insurance. A 2013 study from Truven Health Analytics found that the average total charges for care with traditional and caesarean births were \$32,093 and \$51,125, respectively⁴. ►

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MAKE SURE YOUR INSURANCE COVERAGE IS UP TO DATE

Make sure the child gets added to your health insurance policy. If you have coverage through a employer, a birth is considered a life event so you won't need to worry about waiting for an open enrollment period for this, although your premiums will likely increase. Your baby's first doctor appointment will come within his or her first week of life, so you'll want to have a physician picked out ahead of time. Make sure it's someone in-network or otherwise covered by your health insurance plan.

You'll also want to review your life insurance policies and probably increase your coverage now that you have a new person to support, in the event something happens to you. You may also want to update your beneficiaries on life insurance and retirement plans to reflect the new baby. If you haven't taken out life insurance yet, now is the time to do it – kids are one of the most important reasons many people have it in the first place.

Now is also the time to start looking for child care. If both parents plan to work after the birth, you'll need to have someone look after the baby while you're gone. You should allow for time to visit day care centers or interview nannies before the baby arrives. You may have to go through an approval process as well. According to the website Care.com, the average weekly cost for an infant is \$211 for a day care center and \$580 for a nanny⁵. Again these costs vary by region; New Jersey is considered the cheapest state in which to hire a nanny⁶.

It's also time to start thinking about school. If you decide not to go with the local public school, the average tuition for a private elementary school is \$9,600 per year, and for a private high school, it's \$14,500 per year⁷. If you don't have other child care arrangements, someone will have to keep an eye on them over the summer as well. According to the Afterschool Alliance's America After 3PM survey, the average family can expect to spend about \$1,000 per child on summer programs each year⁸.

College can be considerably more expensive. According to the College Board, costs for an in-state public college (including everything - tuition, housing, meals, books and fees) in 2017-2018 averaged \$25,290. At a private college that figure nearly doubles to \$50,900⁹.

That's a lot of reasons to start saving! But one last thing: you may want to also establish some kind of rainy day fund for unexpected emergencies. This can help cover you if the kids have an accident or serious illness, or if you run into financial hardship for some reason. Three to six months' worth of living expenses is a good place to start.

With all these expenses on the horizon, the birth of your first child is a great time to start taking your future financial plans seriously. If you have never worked with a financial advisor, Baird can help you figure out how to provide for your family – well into the future.

1 <https://www.usda.gov/media/blog/2017/01/13/cost-raising-child>

2 <https://www.healthaffairs.org/doi/10.1377/hblog20171031.709216/full/>

3 <https://www.parents.com/pregnancy/considering-baby/financing-family/what-to-expect-hospital-birth-costs/>

4 <https://clearhealthcosts.com/blog/2013/05/how-much-does-having-a-baby-cost-in-the-u-s-medscape-reports/>

5 <https://www.care.com/c/stories/2423/how-much-does-child-care-cost/>

6 <https://www.care.com/c/stories/2423/how-much-does-child-care-cost/>

7 <https://www.privateschoolreview.com/tuition-stats/private-school-cost-by-state>

8 <https://www.cnbc.com/2019/06/19/the-average-parent-expects-to-pay-almost-1000-for-summer-child-care.html>

9 <https://www.chase.com/news/013019-worried-about-college>

Please reach out if you or anyone you know would benefit from discussing this topic further.