



Financial planning for your baby

Contents

Introduction	3
Financial planning for your baby	4
How children can impact your finances	5
Tips for being financially prepared for your baby	6
Case Study: Tracey & Craig	9
Interactive Baby Budget Planner	10
How Financial Spectrum can help	12
About Financial Spectrum	13

Introduction

While having a baby can be one of the most exciting times in your life, being fully prepared for the myriad of changes can be difficult. As well as the physical and emotional pressures, there are many financial aspects that need to be considered.

This eBook looks at the main considerations, with the goal of helping you better prepare financially for this busy, but very exciting time.

At Financial Spectrum we are committed to helping our clients in all phases of their life to better manage their finances and build their wealth for the future.

We hope you enjoy this eBook.



Financial planning for your baby

Having a child can be one of the most rewarding and life-changing events of your life. This said, there are many financial aspects that need to be considered before, during and after this time.

The good news is that by reading this, you are already thinking of the financial implications a new family can bring.

We believe that by helping you review and get your finances on track now, you can avoid much stress and more importantly, get your family set up for long-term financial security.



How children can impact your finances

There are two main ways having children impacts us financially:

1. Expenses related to having and then raising a child
2. Impact on household income

The cost of having and raising children

Raising a child in Australia is an expensive proposition. It begins with baby needs including clothes, car seats, nappies, high-chairs and cots, and in some cases doesn't stop until after university.

If we consider schooling as a standalone cost, research shows that a child born today will attract private secondary schooling fees of more than \$150,000 over six years. Looking at this cost in isolation, sound financial planning is simply essential!

The financial impact on the household

For parents, a baby can dramatically change working life and income. Traditionally, the primary carer – be it the mother or father – takes time off work to recuperate, bond and adjust to the new life, and this impacts household revenue.

While many parents choose to return to full-time work, there are those that opt to have a parent at home during this formative period. Going to a single income adds financial pressure, so planning is even more critical if this is the path you choose.

Whichever working situation chosen, a baby impacts cash flow. When this is combined with the additional running costs that come with children, it's easy to see that without careful financial planning that raising children can create financial stress.

Tips for being financially prepared for your baby

Having noted the importance of getting your finances on track before, during and after baby's arrival, here are some areas to consider to better prepare you financially.

Before you get pregnant

Not everything in life can be planned. If you are planning for pregnancy, however, use the time available to get your finances in order.

Private health insurance

Most health fund providers require a set-length of membership before costs can be claimed for pregnancy services. Additionally, your choice of services, such as a private hospital or your own obstetrician, requires planning and engaging private health insurance to avoid exorbitant out-of-pocket costs.

Taking a step back, if you and your partner still have 'singles' health insurance, it's time to move to a family plan so your baby (and expected services) are covered.

Assisted pregnancy

If you know or suspect you may need medical intervention to fall pregnant, for example, IVF, you should also consider taking out the appropriate private health insurance as these procedures can be extremely expensive.

Savings

In the planning phase, consider a savings account to help you prepare for impending expenses. One option is to set up an account that is difficult to access, for example, not directly linked to your ATM card. Keep amounts for day-to-day expenses in your regular account and when additional funds are available, transfer these to your savings account.

As a side note, parents who start a family often give up their personal income. This can sometimes lead to a sense of lost financial independence. If this is the case, perhaps set up a separate savings account to have funds at your disposal for smaller personal expenses.

Life insurance

With the added responsibility and expenses of raising children, you are exposed to greater financial risk. If you or your partner are unable to earn an income due to illness, injury or even death, you need to have appropriate insurances in place.

This coverage should include life insurance, income protection and injury coverage. Talk to us to ensure you have appropriate coverage so your family will be cared for if something were to happen to you.

We always recommend both parents are covered by life insurance, regardless of whether caring or working. If one becomes sick or passes away, there will be immediate and often long-term household costs such as child care. Having these policies in place will also ensure peace of mind for your family.

Current budget

An important first step in getting your finances on track is to clearly understand your current financial situation. This should include how much you earn and spend, as well as your current assets and liabilities. A great way to get a 'snapshot' of your financial position is to complete our online [Budget and Financial Position Calculators](#).

Expected budget

Once you have a clear idea of your current financial position, you should complete our Baby Budget Planner on page 10. This simple but effective worksheet will help you to understand how your finances will be impacted by your baby's arrival.

Government assistance

The Australian Government does provide some financial assistance to qualifying parents and families. To find out if you qualify for one or more of these payments, visit the [Family Assistance website](#).

Stick to your budget!

In the excitement of having a new baby, many parents get carried away with buying expensive items and baby clothes. While this is understandable, it's this type of expenditure that can break your budget. Keep an eye out for more cost effective items where possible and remember that your baby will outgrow their clothes very quickly!

For larger items, consider quality second-hand alternatives, or ask friends if they have items they no longer use. You'll be amazed at what is available among your contacts.

Don't forget that family and friends will buy you many baby items, so if there is something specific you want – ask them! They will often be delighted to have some guidance.

Set up an estate plan

Now that your financial planning is in hand, you'll need to think about how your children will be looked after if something were to happen to you or your partner.

Make sure you have a current will and power of attorney (POA) in place, and give serious thought to areas such as guardianship for your children and the establishment of testamentary trusts.

At Financial Spectrum, we can professionally guide you through these often emotional, but essential areas.



Case Study: Tracey & Craig

Craig is an IT consultant and Tracey a pastry chef, both working full time and earning reasonable incomes. They were naturally thrilled when they found out they were expecting their first child, but were concerned about how they could afford it with Tracey planning to take time off to care for the baby.

Tracey and Craig came to Financial Spectrum and we immediately began to organise their finances and work with them to plan for both the short and longer term.

- Evaluating their current financial situation by carrying out a full assessment of their spending habits and helping them complete a budget
- Setting up a savings plan in preparation for the added costs of raising their baby and any future children they may have
- Obtaining life insurance and income protection to ensure their household would be covered financially should either of them become injured, ill or pass away
- Arranging the creation of a will and estate plan to ensure their baby would be cared for should something happen to them

From this advice, Tracey and Craig were able to get their budget and savings on track before their baby was born. They now have peace of mind knowing their finances are organised and have been able to enjoy this special time without added financial worry.



Interactive Baby Budget Planner

Nursery and home renovations

	Estimated amount	
Decorating	\$	
Crib, cot and bassinette	\$	
Bed linen	\$	
Change table	\$	Total
Safety equipment	\$	
Other nursery furniture	\$	\$

Transport

	Estimated amount	
Pram and stroller	\$	
Baby carrier	\$	
Family car upgrade	\$	Total
Car booster seat	\$	
Other transport	\$	\$

Baby supplies

	Estimated amount	
Baby bath	\$	
Towels and robes	\$	
Baby toiletries	\$	
Toys	\$	Total
Nappies	\$	
Other baby supplies	\$	\$

Meals

	Estimated amount	
Sterilising equipment	\$	
Bottles and teats	\$	
High chair	\$	
Bibs	\$	Total
Bowls, plates and utensils	\$	
Other meals	\$	\$

Parent needs

	Estimated amount	
Books and magazines	\$	
Cameras	\$	
Skincare	\$	
Maternity wear	\$	
Photography and cameras	\$	Total
Skincare	\$	
Other parent needs	\$	\$

Birthing services

	Estimated amount	
Obstetrician or midwife	\$	
Antenatal classes	\$	Total
Hospital and delivery costs	\$	
Other birthing services	\$	\$

Grand total

\$

Clear form

Interactive Baby Budget Planner

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How Financial Spectrum can help

Now you've read this eBook, we hope you recognise the importance of being financially prepared for a baby. There's no question that professional advice will help you to better understand your personal situation and get your finances on track to secure your family's financial future.

At Financial Spectrum we have the expertise and proven strategies to help you achieve your financial goals whatever stage of your life. Some of our planners have young families themselves so can identify with the exact challenges you're facing.



About Financial Spectrum

Financial Spectrum is an privately owned financial planning practice. We develop tailored financial strategies to help you build your wealth and achieve your lifestyle aspirations.

We offer so much more than investing. We take the time to understand you, and then help you make the right decisions to achieve the future you're aspiring to.

We can help you to:

- Plan for the future
- Build your investment strategy
- Grow your personal wealth
- Simplify your budget
- Minimise bad debt
- Increase your super
- Reduce your tax
- Protect your family

Let us help you take control of your finances, build your wealth and achieve your future lifestyle aspirations. Contact us for a complimentary, no obligation meeting today.





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