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THE WALL STREET JOURNAL

WSJ.com

FAMILY FINANCES | March 10, 2012, 9:10 p.m. ET

What New Parents Need to Know About Money

By [VERONICA DAGHER](#)

When Lauren Lindsay's daughter was born, the baby's severe digestion problems required special formula that cost \$26 a can.

Ms. Lindsay and her husband didn't think twice about buying their daughter the formula she needed. But at several cans a week, the cost was still hard to swallow.



Veronica Dagher on Lunch Break has money tips for new parents. Parents-to-be who get their financial house in order have a better shot being prepared for the unexpected once junior is born and can save families from financial catastrophe.

"Expect the unexpected when you have children," says Ms. Lindsay, who is also a certified financial planner in Covington, La.

Couples who get their financial house in order have a better shot at being prepared for the unexpected once Junior is born. Planning ahead also can save families from financial catastrophe.

Here are eight financial tips for parents-to-be:

1 Live on one paycheck.

As soon as a couple finds out they are expecting, they should try to live on one paycheck for several months before the baby is born, says June Walbert, a San Antonio-based certified financial planner. She says this helps parents figure out what expenses they need to cut and helps them get acclimated to a reduced income should one parent decide to stay home for an extended period of time.

2 Avoid sticker shock.

Expectant parents might call the hospital where they plan to deliver to see how much it will cost to have the baby, says Stuart Ritter, a certified financial planner in Baltimore. With the "cost" of the baby being top of mind for many prospective parents, this helps parents get started with the very first step—estimating what kinds of bills they can expect from medical providers.

3 Review your insurance.

Mr. Ritter says parents-to-be should contact their employer's human-resources department in order to fully understand their medical coverage, time-off benefits, and other benefits associated with the birth or adoption of a child.



Ryan Snook

Two-income households may also check to see which spouse's company offers better insurance coverage for the newborn, says Ben Birken, a Chapel Hill, N.C., certified financial planner.

4 Check out child care early.

Rand Spero of Lexington, Mass., advises clients to investigate child-care options before the baby arrives.

It's important to check out the details and compare costs of child-care centers as some facilities may be less flexible about part-time care and have additional minimum requirements that increase costs, Mr. Spero says.

5 Pay your debts.

The nine months leading up to baby is also a good time to pay down high-interest debt to take some financial pressure off the family later on, says Court Creeden, a Charlotte, N.C., financial adviser. When one couple Mr. Creeden worked with found out they were pregnant, they paid off roughly \$7,500 in credit-card debt by cutting out any nonessential spending from their budget for the next nine months, he says.

6 Get life insurance.

"There's a critical need for insurance as soon as a couple is expecting," says Robert Gerstemeier, a Chicago-based certified financial planner. He recommends a term policy for both the mother and father.

At minimum, he recommends a 15-year policy for whoever is the caregiver for the children as usually by that age, parents are comfortable with allowing their children to be home without needing someone to provide care, he says. Depending on the age of the person that will be working full-time to support the family, he recommends a 20- to 30-year term policy.

7 Write a will.

It's particularly important for expectant parents to designate who will care for their child if something happens to them and specify those wishes in a will, says Clarissa Hobson, a Colorado Springs, Colo.-based certified financial planner.

Some parents put off this task because they are afraid they won't find the "perfect" guardian for their child. Regardless, parents should do their estate plan and realize they can change the documents later, she says.

8 Save, save, save.

Saving for college may not seem like a priority when the child is an infant. However, even saving \$15 a month through automatic contributions to a 529 college-savings plan, for example, can be a "great resource" when the college expenses start years from now, says Stacie Knotek Quigg, a Palatine, Ill., certified financial planner.

And while saving for college is important, expectant parents' first priority should be to figure out how they will pay for their own retirement, says Mr. Ritter in Baltimore.

"We make two promises when we have kids: One is: 'I'll take care of you now.' The other is: 'You won't need to take care of me later,'" he says.

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