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News Release

Can You Afford to Have Kids?

If the financial implications of having children are the only consideration, most couples might end up childless since having a child is very expensive. Financial experts say a home is the biggest investment most people will ever make. The truth is that the cost of raising children far exceeds the average home price in the US. Most people do not base the decision on whether or not to have children on financial issues alone, but think of it in the same way as any other decision that will affect one's financial situation. Be smart, go into it with your eyes wide open, and be prepared. The changes that go with adding a new little member to your family can be stressful, but you can reduce the stress greatly by minimizing the financial factor.

First, assuming both of you work, you must consider how to manage on the reduced income created by time off for the pregnancy and birth. Check with your employer to see if you have short-term disability insurance, which covers pregnancy. A typical policy will pay 60% to 70% of your gross income for approximately six weeks following the birth of your child. Even if you do not have disability insurance, your employer may be required to grant you time off under the Family Medical Leave Act (FMLA). They are not required to pay you during your FMLA leave. Whether you will receive salary or disability benefits or not, schedule out your expected income and expenses and make sure you can make ends meet.

While you are checking on disability insurance, make sure you know what to expect from your medical insurance coverage. Pregnancy is treated as any other medical condition, meaning it cannot be excluded, but the general provisions of your policy will determine how much money you will end up paying out of your own pocket. Consider deductibles, co-pays (the typical 20% you pay after the insurance company pays their 80% in a non-HMO type plan), etc. Also, find out how much it will cost to add an additional dependent to your group medical insurance policy. If both parents have health insurance available through the employer, look at the terms and costs of both policies and decide whether it makes more sense financially to have the family covered on one plan or to split coverage between the two plans.

If your employer offers a flexible spending account, consider putting some money into it to cover medical costs that are not reimbursed. Probably the biggest expense you will incur once the baby is born, excluding a college education, is for childcare. Even when

your child is old enough to go to school, you will have after-school care, summer camps, and other related expenses. Check out daycare providers well in advance of the birth of your child in order to find one that you feel comfortable with and that you can afford. If you want to be able to deduct your childcare expenses from your taxable income, you will have to choose a licensed provider because you have to report his or her social security number to the IRS when claiming the deduction. As soon as you start thinking about having a baby, start a baby fund. Put a set amount into the account each pay period to cover unexpected expenses.

Bargain hunt for baby equipment and supplies. It is important to buy the best car seat, stroller, and other necessities to ensure your child's safety, but your baby will quickly outgrow many of the other items you will buy, and paying full price is often a waste of money. Talk to friends, check stores that sell used goods, visit yard sales and other locations to find good deals on items for your baby.

To help you get a grip on the changes in your finances with the addition of a child, you will need a budget. Consider stopping by the St. Clair County Extension office, pick up a Money Management Calendar, and set up a household budget. Also, visit <http://www.bankrate.com/brm/calc/raiseChild.asp>, on the internet and calculate how much a baby will cost. Once you have evaluated the costs and have come up with a plan to cover them, you can sit back and enjoy the new addition to your family.

For more information on this or related topics, contact Ruth Brock, Regional Extension Agent for Consumer Science and Personal Financial Management. You can reach her at the St. Clair County office at (205) 338-9416 or email at brockru@auburn.edu.

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