



How to Budget for a Baby

With a little bit of planning you should be able to successfully avoid having the joy of starting a family compromised by the financial burden of doing so.

Based on research by the National Centre for Social and Economic Modelling (NATSEM) it costs over \$406,000 to raise one child from birth until they finish their education.

In light of these costs, here are some initial considerations that might be helpful.

Before baby arrives

This is an ideal time to assess your financial situation, and how it will be impacted by a new baby. For starters, consider the requirements before and immediately after the birth.

If you're planning to 'go private', you have to decide whether the cost of prenatal care, can be covered by existing private health cover. Some private health funds have waiting periods before you can claim on pregnancy and birth-related costs, so it pays to check.

Income protection and health insurance

During pregnancy, it's not just your family's health insurance you should be thinking about. It's equally important to consider what type of life insurance cover, including income protection, disability insurance and/or death cover, might be appropriate.

Having sufficient cover in place means you'll have a contingency plan for your family's lifestyle if you're temporarily unable to work through injury/illness. The good news is by organising this cover via your superannuation, you don't have to eat into the household budget.

Once baby is home

The next step is to realistically assess the upfront costs of caring for your baby over the first 12 months. If budgets are being pushed, focus on what you absolutely need to spend money on now - like baby-proofing your home, extra furniture like a crib, change-table, baby bath, car seat, stroller, bedding and clothes - and what can wait.

Try to work out what your weekly outgoings will be on things like nappies, milk formula, and baby food. Being willing to accept hand-me-downs or buy second hand can save you a lot of money.

Family entitlements

If you're planning time off after baby arrives, remember to tell your employer well in advance. It's equally important to ensure you receive all the benefits you're entitled to from paid parental leave through to any baby bonuses, and family tax benefits.

Child-care and education

If you're planning on your child receiving a private education - which at the secondary level typically costs an average \$20,000 a year - it's never too early to put money away. One way to do this is to open a high-interest saving account. There are also tax benefits for opening education-specific managed investment funds.

There are also onerous costs even before your child gets to school. For example, based on data by Stockspot, parents will on average spend \$26,000 on childcare between the ages of three and five.

In light of these costs, it pays to honestly assess, what assistance you can expect to receive from immediate family. Equally important, assess how easy it will be to juggle time off, and how receptive your employer is to flexible workplace arrangements.

Ongoing costs of child raising

The cost of raising children has jumped sharply over the past two decades. Based on Stockspot numbers, parents on average spend \$82,000 on a child between ages six and 12, and close to \$131,300 during the following six years, with the bulk of this cost going on education.

Clothes swapping for school uniforms and buying home-brand or generic items in supermarkets, are practical measures to help managing finances. However, seeking help with budgeting can also drive your money further.

Source: FPA Money & Life, 2019

We will guide you with a tailored approach that works for your circumstances. Give us a call on 4927 4588 (Rockhampton) or 4939 1766 (Yeppoon) to see how we can help.



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