



# YOUR NEW ARRIVAL


WISDOM IS BEING FINANCIALLY PREPARED

WOMEN AND MONEY SERIES

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When you're having a baby it's normal to focus on the practical aspects of preparing for the arrival of a newborn, such as deciding where to give birth, choosing names and getting baby essentials such as a cot, car seat, clothes and nappies. In fact, there are so many practical things to consider that people often overlook the financial considerations.

There are a number of financial implications associated with starting a family. By taking the time to consider your finances ahead of time, you'll be able to avoid financial pressures and really enjoy the special time with your new family member. Outlined below are five main areas you should consider to prepare financially for the arrival of your baby.

## 1. Expenses associated with having a child

The expression 'the best things in life are free' doesn't ring true where babies are concerned because even though starting a family is likely to be one of the best things you experience in your life, it certainly isn't free. Four of the major expenses you will need to pay for are:

**Hospital costs:** If you choose to give birth in a private hospital you could pay anywhere from \$2,445 to \$8,355 after receiving the Medicare rebate.<sup>1</sup>

**Set-up costs:** Setting up your home to accommodate a baby requires many new items such as cots, car seats, capsules, stair rails, high chairs, prams, etc. The good thing about these items is that you don't necessarily need everything on day one which allows you to shop around to find the best prices. You can also keep these costs down by buying second-hand items or borrowing items from family or friends.

**Living costs:** The average cost of raising a child between the ages of 0–4 is \$7,500.<sup>2</sup> This equates to an extra \$144 per week to look after your baby.

**Childcare costs:** If you plan to return to work and don't have family around who are willing or able to babysit for you, you will have to use childcare. There are a number of different childcare options to choose from but the average childcare fees are more than \$70 per day.<sup>3</sup>

### Tips on managing expenses

- Try to save enough before-hand to cover pregnancy costs and living expenses during your maternity leave
- Think of different ways to cut your current levels of spending, such as eating out less often, to reduce the strain on your cashflow
- Think of ways of generating extra cash for baby expenses, such as selling items you don't need or no longer use
- Before buying baby items, work out which are essentials and which are nice to haves.

1 Private health insurer, NIB

2 AMP.NATSEM Income and Wealth Report, May 2013, The cost of raising children in Australia.

3 Australian Bureau of Statistics, June 2011

## 2. Changes to income levels

If you, or your partner, are planning to take time off work after the birth of your baby, you need to adjust to changes in the level of household income. To prepare yourself for the drop in income, you should gradually adjust your budget to live off one salary.

Some employers offer paid maternity or parental leave, so it's worthwhile taking a look at your employment contract or talking to a human resources representative at your place of work to determine what paid leave you may be entitled to. Australian employers are currently not required to provide any paid leave.

The length of time that you need to live off one income depends on how long you plan to take off work. So it's a good idea to also think about when, and how, you plan to return to work. For example, will you return in 3, 6 or 12 months in a full time or part time capacity?

**“BY PLANNING AHEAD  
MY HUSBAND AND  
I COULD RELAX AND  
REALLY ENJOY OUR  
TIME OFF WORK WHEN  
OUR BABY ARRIVED.”**

– Megan, aged 32



### 3. Financial assistance<sup>4</sup>

With extra expenses on the way and a drop in income expected, it's comforting to know that you may be entitled to various forms of financial assistance through either the government or rebates through the tax office. There are a number of different methods of assistance available to support parents with costs of raising a child, such as:

- Baby bonus
- Paid parental leave
- Family Tax benefit
- Child Care Benefit
- Child Care Rebate

### 4. Get your life insured

When you become a parent you become responsible for the welfare of your children. This is why it's sensible to think about how your partner and young child would cope if you were to pass away suddenly. It's not a very pleasant thing to think about, but the sad fact is it does happen.

If you have life insurance, your nominated beneficiaries would receive a lump sum payout in the event of your death which could be used to secure their financial situation. This money could be used to pay for a nanny so your partner could continue working, or it could be put away to fund your child's future education expenses.

### 5. Make a will

Most people think that wills are only necessary for those who are old or have substantial amounts of money and assets, but this couldn't be further from the truth. A will is the only way to have a say on the guardianship of your children. So once you start a family, a will is a good idea to make sure that your children are looked after in accordance with your wishes if you pass away unexpectedly.

<sup>4</sup> For financial assistance you must meet certain eligibility criteria.

## FINANCIAL HEALTH CHECKLIST

Here's a list of things you should do to get your finances in order before your new arrival:

- Make a list of all your expenses so you get a clearer idea of what your expenses really will be
- Ask friends and family for second-hand baby items they no longer use
- Review your employment contract or talk to your HR department to find out what your entitlements are in relation to maternity leave
- Think about when you will return to work and whether it will be in a full time or part time capacity
- Find out what financial assistance you will be entitled to
- Determine how much your income levels will change, taking into account your extra expenses and changes to income levels
- Look into life insurance options to protect the financial wellbeing of your child should the worst happen to either you or your partner
- Update, or make a will that includes guardianship details for your new child



## WE CAN HELP YOU BECOME FINANCIALLY WISE

Wisdom is knowing what you don't know and seeking help. Our financial advisers are in the best position to help you make sure you're financially prepared for your new arrival.

Arrange an appointment today  
for more information:

### **Andrew Ramsay**

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19962/1113