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Ask Brianna: How can I afford to have kids?

by Brianna Mcgurran | Ap • Oct. 11, 2016 • 3 min read • [original](#)

“Ask Brianna” is a Q&A column from NerdWallet for 20-somethings or anyone else starting out. I’m here to help you manage your money, find a job and pay off student loans — all the real-world stuff no one taught us how to do in college. Send your questions about postgrad life to askbrianna@nerdwallet.com.

Q: I’m in my 20s, and my partner and I are thinking about becoming parents, but the potential expenses seem overwhelming. How can I afford to have kids?

A: The U.S. Department of Agriculture’s handy, terrifying Cost of Raising a Child Calculator told me that the average two-parent household in the U.S. earning less than \$61,530 a year spends \$11,850 to raise a child in his or her first year. Such a big number might make you think that having a baby is impossible financially.

But don’t get discouraged. I’d guess that very few parents went to the trouble of saving every penny they’d need before the baby arrived, especially since 37 percent of U.S. pregnancies were unplanned between 2006 and 2010, according to the Centers for Disease Control and Prevention.

“Ideally everyone’s loaded by the time they have their kids, but that’s hardly ever the case,” says Rachel Podnos, a certified financial planner at Wealth Care LLC in Washington, D.C.

If you’re able to spend several months planning for your baby’s arrival, you can make small changes now that will prepare you to budget more strictly when he or she arrives. Here’s how to wrangle your finances before you become a parent.

MASTER YOUR CASH FLOW

If you haven’t monitored your expenses and how they stack up to your income, commit to getting a handle on that now, says Douglas Boneparth, a New York-based certified financial planner specializing in millennials. Your monthly budget will soon include a lot more ongoing costs, such as diapers, formula and child care, plus one-time costs such as furniture, a stroller and a car seat.

Use a budgeting app to track how much you spend, or keep a close eye on your bank or credit card statement each week, so you can plan how you’ll divert money to those new expenses. The good/bad news is that you probably won’t go out as often as a new parent, making saving on entertainment a little easier, Boneparth says. You’ll likely have family members clamoring to buy cute baby gear, so take them up on it with a gift registry.

Research the average cost of big-ticket expenses, such as child care, in your area so you know what to expect, Podnos says. The Economic Policy Institute found that child care for a 4-year-old isn't cheap anywhere, but the cost varies a lot by location: It costs \$344 a month in rural areas of South Carolina and \$1,472 a month in Washington, D.C. Find your local average cost using the institute's Family Budget Calculator .

PUT EMERGENCY SAVINGS INTO OVERDRIVE

You always need a rainy-day fund, but the amount you save should increase now that you'll have a baby to feed and house if you or your partner loses a job. If you've gotten by with just \$500 or \$1,000 saved for emergencies, boost it to at least three months' worth of expenses. Now's the time to make saving a priority, even if you don't get to that massive \$11,850.

You'll need to save more money if you or your partner won't have any income during family leave. The Family Medical Leave Act allows employees of private companies with 50 or more workers to take up to 12 weeks of unpaid leave for the birth or adoption of a child, meaning you can keep your job but won't get a paycheck. Some states provide a more generous benefit: California, New Jersey and Rhode Island offer paid family leave, as will New York starting Jan. 1, 2018, according to the National Conference of State Legislatures . Ask your employer about your company's leave options, too.

PLAN FOR THE FUTURE

As new parents, you and your partner must do some tedious but important financial prep to make sure your child will be taken care of if you're no longer around. You likely need life insurance, which will help cover your child's expenses and replace your income if you die. Create a will with the help of an attorney. It should identify your child's legal guardian if you and your partner die while he or she is a minor, Podnos says. Consider starting to save for college in a 529 plan, too, which is a state-sponsored, tax-free investment plan to help pay for education expenses.

This is serious stuff. But along with saving and budgeting, it's crucial to get it done early so you can spend precious time enjoying your little one.

This column was provided to The Associated Press by the personal finance website NerdWallet.

Brianna McGurran is a staff writer at NerdWallet. Email: bmcgurran@nerdwallet.com. Twitter: [@briannamcscribe](https://twitter.com/briannamcscribe).

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United States Department of Agriculture: Cost of Raising a Child Calculator
http://www.cnpp.usda.gov/tools/CRC_Calculator/

Economic Policy Institute: Family Budget Calculator <http://www.epi.org/resources/budget/>

National Conference of State Legislatures: State Family and Medical Leave Laws <http://www.ncsl.org/research/labor-and-employment/state-family-and-medical-leave-laws.aspx>

NerdWallet: Saving for College: 529 Plans: <http://nerd.me/6-nerdwallet-investing>

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