

# 5 Financial Things To Consider When You Have A Baby





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Becoming a parent is one of the most exciting and challenging times in your life. Along with the smiles, the tears, the giggles and a few sleepless nights, there's a host of new financial responsibilities and decisions.

To help new parents prepare for this new stage in their lives, here are 5 things to consider when it comes to setting up your finances for your new child.

If you're a new grandparent, you can help with some of these too.

### 1) Understand the government benefits available

One of the first things new parents should do is familiarise themselves with the government benefits available to them. The two main benefits available are

#### a) Child Benefit

Child Benefit is a monthly payment made to the primary carer of a child. This is available to you as long as neither the mother or father earns over £80k. If you earn between £60- 80k, you will be caught by the High Income Child Benefit Tax Charge.

#### b) Childcare Support

This helps with the cost of childcare. Provided neither of you earns over £100k in the year, you can get help to cover childcare costs up to 20%. You must open a government childcare account, and for every £80 you pay in, the government tops it up by £20.

### 2) Create/Review your budget and plan for additional expenses

Bringing a new child into the world is expensive. You need to plan for the additional expenses that come with it. This includes things like new clothes and equipment, food, toys and childcare for the baby. To help manage these expenses, it's important to create a budget and stick to it. This will help you stay on top of your finances and avoid overspending.

**Top Tip:** Lots of baby stuff is sold on second hand. As babies grow so quickly, their clothes or equipment might only have been used for a few months





### 3) **Set Up/Review Financial Protection ie. Life and/or critical illness cover and Income Protection**

Life insurance and critical illness cover can provide financial protection for your family in the event of your death or serious illness. These policies can help cover costs such as funeral expenses, outstanding debts, or provide a lump sum to help with living expenses.

Income Protection will pay you a monthly income to help with the costs of debts or your lifestyle if you are medically unfit to do your job.

We would always recommend both policies, but you may have work benefits which can help with this (provided you remain employed).

You now have a responsibility for another life. No matter what, you need to be able to provide for them

### 4) **Start saving for your baby's future**

Whether it's for education or weddings or a house deposit, most parents want to have savings in place to cover one or more of these big milestones. University or Private School education is one of the most significant expenses a family will face, and it's never too early to start saving for it.

There are several options available for saving for your child's future, but all have pros and cons. A Junior ISA (or JISA) is the most common, but you must remember that this will become the child's at 16 if it's a cash JISA or 18 if it's a Stocks and Shares JISA – so many parents don't want to save too much into these.

It's important to decide exactly what you want the money to do for them. Most likely, you will end up with a bank account for them for money from presents, and then another account or investment earmarked for the big milestones which you will always keep control of.

The earlier you begin, the more help you will get from investment returns and compound interest.

**While a parent or guardian must open a Junior ISA, grandparents and other family can pay into it**

## 5) Review or Draft Your Will

Finally, it's important to review and update your will to ensure your child is provided for in the event of your death. This includes designating a guardian for your child and ensuring that your assets will be distributed according to your wishes.

A will is a legally binding document, so it's important to consult with a solicitor when making any changes to ensure they are valid and enforceable.



Being a new parent is an exciting and rewarding experience, but it also comes with a lot of financial responsibilities. If you are on top of these 5 things, you can have peace of mind that you have taken all the necessary steps to secure your family's future.

Enjoy the journey and remember, they won't stay young forever!



If any of this sounds interesting or you feel you would benefit from a chat with us, please let us know. We would love to meet you for a cup of coffee and discuss this with you.



02840 33 68 67



[hello@modulusfp.com](mailto:hello@modulusfp.com)