Checklist for New Parents

6 financial moves to consider when welcoming a new baby.

It’s estimated that the total [child-rearing expenses](https://www.investopedia.com/articles/personal-finance/090415/cost-raising-child-america.asp#:~:text=According%20to%20the%20U.S.%20Department,could%20be%20estimated%20at%20%24272%2C049.) from birth to age 17 for a middle-income family is well over $270,000. Although the range of expenses across families is wide, adding a little one to the family is expensive. Whether you’re expecting a baby or adjusting to life as a parent, consider this checklist your starting point for adapting to your new financial reality, and for planning for your child’s future.

1. **Create a household budget.**

With a new child comes new expenses. Baby clothes, diapers, food, and childcare expenses add up quickly, in addition to prenatal and postnatal medical expenses. Some expenses, like diapers and new toys, are recurring, while others such as a stroller or car seat might be a one-time investment. It’s helpful to understand which upfront costs may be a temporary hit to your wallet and which recurring costs will influence your budget over the long haul. [Online budgeting apps](https://www.cnbc.com/select/best-budgeting-apps/) can help you.

1. **Build an emergency fund.**

Unemployment is stressful. That’s why it’s smart to have an emergency fund to cover 6–12 months of living expenses in the event of a layoff or unexpected change in employment. An [emergency fund](https://www.cnbc.com/2022/03/25/taking-these-5-steps-can-help-bulk-up-your-emergency-savings.html) provides a cushion for a new parent while searching for a job, and should be calculated based on the new family budget.

1. **Add your child to your health insurance plan.**

It’s not unreasonable to think your health insurance provider might contact you or automatically add your newborn to your health plan. But it doesn’t always work that way. Fortunately, having a baby is a *qualifying life event*, which allows for an enrollment period during which you can make changes to your health policy. Most plans require that your child is added within 30 or 60 days post-delivery. If done in that timeframe, your child should be covered retroactively.

1. **Adjust Health Savings Account contributions.**

[Health Savings Accounts (HSA)](https://www.healthcare.gov/glossary/health-savings-account-hsa/) are a type of savings account that lets you set aside money on a pre-tax basis to pay for qualified medical expenses. By using untaxed dollars in an HSA to pay for deductibles, copayments, coinsurance, and other expenses, you may be able to lower your overall health care costs. If you’re a member of a qualifying employer-sponsored health plan, HSAs can be taken out of each paycheck and used for [qualified health-related products and treatments](https://www.irs.gov/publications/p969), including doctor’s fees, infant formula, and even breast pumps.

1. **Participate in a dependent care flexible spending account.**

A [dependent care flexible spending account](https://www.fsafeds.com/explore/dcfsa) (FSA) is a pre-tax account used to pay for [eligible dependent care services](https://www.fsafeds.com/explore/dcfsa/expenses) such as preschool, summer day camp, before or after school programs, and child daycare. It's a smart, simple way to save money while taking care of your loved ones so you can continue to work. Contributions are automatically deducted from your paycheck, and the funds can be used for qualifying child care expenses.

1. **Set up a college savings fund.**

According to the U.S. Department of Education, by 2030 the total cost for a four-year degree will be more than $205,000. This number might seem discouraging, but it’s important to know and understand. Being honest about the cost of a future college degree will help you plan ways to lower costs. As a result, you and your kids can avoid missing important opportunities before college, like taking college courses while in high school, applying for scholarships, and working hard to attain merit-based financial aid from colleges.

While you may question planning for your baby’s college education when he hasn’t even learned to roll over yet, preparing for college early gives investments more time to grow. And if you’re a California resident, the California Kids Investment and Development Savings Program (CalKIDS) makes it easy to get started. CalKIDS automatically provides newborns and eligible low-income public-school children in California with the tools to start saving for college, including an initial seed deposit and possible financial incentives in a 529 college savings account.

**Learn more about CalKIDS**

The state of California is committed to helping children thrive, particularly by increasing access to higher education. To that aim, CalKIDS will provide each child born in California on or after July 1, 2022, as well as eligible low-income public-school students enrolled in first through 12th grade, with a seed deposit and possible financial incentives in a 529 college savings account.

Children with $500 or less designated for college savings are [3x more likely to enroll in college](https://www.sciencedirect.com/science/article/pii/S0190740912004379) and nearly 4X more likely to graduate than children with no savings. So, set your child up for success…

[**Visit the CalKIDS site to learn more**](https://calkids.org/index.html)**.**

The California Kids Investment and Development Savings Program (CalKIDS) is a children’s savings account program, administered by the ScholarShare Investment Board, an agency of the State of California. CalKIDS accounts will be established for all children born to California families and eligible public school students, and will include seed deposits and other potential incentives, which can be used to pay for future higher education expenses.

CalKIDS participants may also establish individual accounts with the ScholarShare 529 College Savings Plan.

**For more information about the ScholarShare 529 College Savings Plan, call 1-800-544-5248 or click here for a**[**Plan Description**](https://www.scholarshare529.com/documents/ca_plan_description.pdf)**which includes investment objectives, risks, charges, expenses, and other important information. Read and consider it carefully before investing.**

**Before you invest, consider whether your or the beneficiary’s home state offers any state tax or other state benefits such as financial aid, scholarship funds, and protection from creditors that are only available for investments in that state’s qualified tuition program. You should also consult your legal or tax professional for tax advice based on your own circumstances. Investments in the plan are neither insured nor guaranteed and there is the risk of investment loss.**

**If the funds aren’t used for qualified higher education expenses, a 10% penalty tax on earnings (as well as federal and state income taxes) may apply. Non-qualified withdrawals may also be subject to an additional 2.5% California tax on earnings.**

The ScholarShare College Savings Plan is offered by the State of California. TIAA-CREF Tuition Financing, Inc. (TFI), program manager. TIAA-CREF Individual & Institutional Services, LLC, Member FINRA, distributor and underwriter for the ScholarShare College Savings Plan.

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