

Expecting a New Arrival?



CANACCORD Genuity
Wealth & Estate Planning Services

Welcoming a new baby into the family can be one of life's more rewarding experiences. Proper financial planning can ensure that this positive experience continues as the new family grows. It is never too early to start thinking about the impact that a child will have on a family's finances.

As with any aspect of financial planning, new parents need to understand their sources of income and current debt position. If a parent intends on taking parental leave, this may affect cash flow. Higher household expenses will need to be considered, including groceries, household items, and clothing. Proper budgeting can help to achieve a balance between available funds and reasonable expenses.

In addition to these expenses, other financial considerations should be addressed:

Childcare

If staying at home with a child is not an option, parents may look to alternatives that range from daycare to in-home services, on a part-time or full-time basis. Some parents are surprised when they compare the cost of professional child care against the loss in annual net income if one parent decides to leave work and stay at home. Don't forget: The Canadian government also offers support, including the Canada child benefit. Effective July 1, 2016, the universal child care benefit (UCCB) was replaced by the Canada child benefit. The Canada child benefit (CCB) is a tax-free monthly payment made to eligible families to help them with the cost of raising children under 18 years of age. Other government support may be available for lower-income families or children with disabilities.

Education Savings

We have always stressed the importance of investing in a Registered Education Savings Plan (RESP) to plan for a child's post-secondary education. Not only are there tax savings associated with starting this plan, but the government also offers certain grants to supplement contributions. All parents should start thinking about setting up a plan before too long. In order to start an RESP, parents will need to apply for a social insurance number (SIN) for the child.

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Individual Insurance

The arrival of a child may increase the costs for a family. It is important to consider disability insurance for a reduction in income if a parent were to become unable to work for a period of time. There could be costs to replace a caregiver if the primary caregiver were to become injured. If the arrival of a baby leads to a family buying a different residence or vehicle, there could be more debt than in the past. It is recommended to have insurance to cover these new debts if the parent were to become disabled or die. The addition of a new baby is a good time to have an insurance needs analysis completed.

Group Benefits Plans

If a parent has a group benefits plan offered through their employer, it will be timely to add the baby to the plan for medical, dental and other possible coverage. Some plans offer optional life insurance that may now be more relevant than before baby's arrival. Many group benefits plans include access to Employee and Family Assistance Programs which could offer resources during such a time of change.

Retirement Savings

With the additional expenses associated with a new baby, parents often feel that they should defer contributing to their retirement savings plans. However, we often advise against this as the planning of future financial security through to retirement is important. Under these circumstances, we may suggest that retirement savings contributions be adjusted, but not overlooked.

Other Important Considerations

This is an excellent time to review and update beneficiaries or execute/update a will. Parents may also wish to appoint a legal guardian for the child and should consider discussing these issues with a legal professional. This may also be an appropriate time to explore the opportunities associated with establishing a trust for the family.

Enjoying the Journey Ahead

The transition into parenthood may be challenging but the journey ahead will undoubtedly be exciting. With some forethought to financial planning, parents can enjoy the experience knowing that they have prepared their family financially for the future.

“Child care expenses may also be claimed on a parent’s tax return provided eligibility requirements are met as set out by the Canada Revenue Agency (CRA)”