

Budgeting for Your New Baby

Overview

A rough guide to the costs of becoming a parent.

- While you're expecting
- Baby's arrival and first year
- Ongoing costs and your child's future
- Budget worksheet

Diapers, car seat, crib, clothes, stroller, more diapers -- having a baby means facing all kinds of new expenses and financial pressures. One of the best ways to prepare for your new baby is to plan ahead for the products and services you'll need to buy.

The information that follows will help you get a sense of the expenses you're likely to encounter, including medical costs, child care, equipment, and supplies. These prices represent a moderate range. Careful planning and shopping can make it possible to pay less; and it will always be possible to spend more. It's important to remember, though, that expensive equipment is not necessarily safer than more moderately priced choices.

While you're expecting

The costs associated with a new baby begin before your baby's arrival. You'll probably spend money on books, maternity clothes, doctors' appointments, and getting your baby's room or sleeping area ready ahead of time. If you know someone who has recently had a baby and is willing to lend you clothing, furniture, or toys he or she has outgrown, you're in luck. If not, keep in mind that some of the equipment you'll need can be purchased used -- at an average savings of 50 percent.

- *Medical care.* Many health insurance policies cover most maternity costs, but you may be required to pay a deductible before your benefits kick in. Check with your health coverage provider to find out what your plan offers. If you don't have health insurance, you may want to check with the local department of health or social services to see if your state provides free prenatal care or financial assistance.
- *Maternity clothes.* The cost of your maternity wardrobe will vary depending on the types of clothing you need and on whether you buy new or used clothes or are able to borrow from friends or family. Buying plus-size women's clothing rather than maternity clothes, shopping at consignment stores, outlets, and discount department stores can save you quite a bit of money. The range of well-designed clothing is far greater now than it was even five years ago.
- *Childbirth classes.* Childbirth classes are generally not covered by health insurance. Classes range in price from \$100–\$350. Ask your obstetrician for suggestions on available classes. Before you choose a class, you may want to take time to decide what childbirth method you and your spouse wish to use.

Then you will be able to choose a class that will provide you with detailed information and preparation for that experience.

- *Infant car seat.* Keep in mind that your baby's first car ride will be on the way home from the hospital, so you'll need to purchase an infant car seat before your baby is born. Infant car seats are required by law and typically cost \$50 to \$70. You can also explore convertible car seats or car seat/stroller options that can adapt as your baby grows and will be usable until he is 2 or 3 years old. Convertible car seats are generally available for \$80 and up.

Baby's room

The cost of setting up your baby's room (or sleeping area if your baby will be sharing a room) will depend upon your taste and budget. Whether you plan to buy new equipment or used, you'll need to make sure that your purchases meet safety guidelines. Cribs and car seats must meet federally mandated safety standards. Equipment that successfully meets the Juvenile Products Manufacturers Association (www.jpma.org) standards will bear a "certified" sticker.

Here's what you can expect to spend on new nursery items:

- *Crib.* Cribs typically cost between \$100 and \$500. The current safety standards for cribs were last updated in 1989, so if you plan to use a hand-me-down, make sure to find out when it was manufactured. Stay away from cribs with attached dressers, cribs made from metal, and cribs with sharp edges -- all of these present safety hazards. Slats shouldn't be more than 2 3/8 inches apart and corner posts shouldn't be more than 1/16 of an inch high.
- *Mattress.* Expect to pay \$35–\$150 for your baby's mattress. To ensure your baby's safety, buy a firm mattress that fits snugly in the crib. An innerspring mattress provides more support for your baby. Be sure to buy one that has at least 150 to 160 coils. If you buy a foam mattress, be sure it is very dense, so it will not flatten out or become uneven and become a smothering risk for your baby.
- *Dresser/changing table.* These can be purchased as one unit or as two separate items; in either case you'll probably spend upwards of \$100 for a new one. The dresser/changing table combination sells for about \$150 and up, but can continue to be used as a dresser after you no longer need the changing table. You might consider borrowing or buying one secondhand.
- *Nursery (or baby) monitor.* A nursery monitor costs \$35 to \$60. To reduce interference, you may want to buy a monitor with at least two channels. It's also a good idea to get a monitor that has a light display, so you can see when your baby's making noise even if you're in a loud room and you can't hear her voice.

Baby's arrival and first year

In your baby's first year your expenses will range from teething rings to doctors' bills to paying for child care. Many families spend several thousand dollars in their baby's first year, with medical bills and child care being the biggest expenses. Here's an idea of what you can expect to spend:

- *Delivery.* The costs of delivering a baby vary depending on your health insurance coverage. Generally, policies cover most if not all of the delivery expenses. If you plan to use a midwife, or to deliver your baby at home, you may incur additional costs.
- *Baby equipment*
 - toddler car seat (if you did not buy a convertible model): \$50–\$100
 - stroller: \$100–\$300
 - highchair: \$50 and up
- *Clothes, diapers, food, and other supplies.* Here are estimated moderate yearly costs for clothes, diapers, and other necessities for your growing baby:
 - baby clothes \$350 to \$500
 - diapers (disposable) \$500 to \$600
 - cloth diaper service \$675 to \$850
 - formula and food \$600
- *Health and safety.* Medical costs for your baby will vary, depending on your health insurance policy. Your baby will need to see the doctor several times during her first year for well-baby visits and immunizations as well as for any illnesses.

It's also important to buy basic health and safety items for your home, including: a rectal thermometer (anywhere from \$4 and up), first-aid supplies and nonaspirin pain and fever reliever (\$25-\$35), a smoke detector (\$6–\$35), a fire extinguisher (\$30-\$50), and baby gates (\$30–\$60 each) as your baby starts to crawl and explore.

Child care

Finding and paying for child care is a challenge most working parents face before their baby's first birthday. In fact, child care is one of the largest expenses, second only to rent or mortgage, that parents incur following the birth of a child.

The least expensive option may be having a family member care for your baby, if that option is available and desirable to you. Other types of care include child care centers, family child care, and in-home child care. Prices for child care vary according to where you live and the kind of child care you choose. To get

a sense of the average cost of child care in your area, talk to friends and family members who have children, or look at child care ads in the newspaper. Your employee resource program or employee assistance program can help you explore options.

Here's an idea of what you can expect to pay for each type of care:

- **Child care centers.** You can expect to pay between \$75 and \$250 a week for your child to go to a child care center. Infant care is usually more expensive than toddler care. Ask about a discount for one of your children if you have or will have more than one child enrolled at the center.
- **Family child care.** Licensed care in someone's home typically costs between \$50 and \$200 per week.
- **In-home child care (a sitter or nanny who comes to your home).** This is generally the most expensive option. The cost of hiring an in-home caregiver varies according to whether or not you provide room and board. If the caregiver doesn't live with you, you can expect to pay \$8 to \$10 per hour, or \$400 to \$500 for a 50-hour week (your work week plus your travel time to and from home). A live-in caregiver costs an average of \$450 to \$600 a week, but costs vary greatly depending on where you live. Keep in mind that you'll also be required to pay Social Security taxes, Medicare taxes, and any other mandated taxes.

Ongoing costs and your child's future

Diapers today, soccer shoes tomorrow. Before you know it, it will be time to begin thinking about saving for college. The earlier you start thinking about and planning ahead for tomorrow, the easier it will be to afford future expenses.

- **Saving for college.** It may seem premature to start thinking about college tuition before your baby has even gone off to preschool. But when you consider that the cost of a four-year college education at many colleges is over \$100,000, it's clear it's never too soon to start putting aside money. You can also begin to investigate prepaid tuition plans, which are offered by a growing number of colleges, both public and private. In these plans, you agree to pay a fixed amount over a period of years until your child is ready to attend college. The colleges promise in return that the amount deposited into the plan will cover the cost of the child's education, even if the actual tuition at that time is greater than the amount saved.
- **Life insurance.** Having a baby is a good reason to purchase or increase your life insurance. To get an idea of how much life insurance you should purchase, consider how much money your family would need if something were to happen to you. Depending on the size of your family, and your sources of income, the recommended amount is from five to 10 times your annual income.

You may want to speak with your company's human resources department to find out if your employer offers a life insurance benefit.

Budget Worksheet

	Projected cost
While you're expecting	
Maternity clothes	
Childbirth classes	
Crib	
Mattress	
Dresser/changing table	
Nursery monitor	
Infant car seat	
Baby's arrival and first year	
Delivery/birth	
Baby clothes	
Diapers	
Formula/food	
Highchair	
Toddler car seat	
Stroller	
Health supplies	
Smoke detector	
Safety gates	
Pediatrician	
Child care	
Ongoing costs	
Life insurance	
Saving for college	

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