

Money & Investing

Nine Financial Tips For New Parents

Luisa Kroll, 07.19.04, 6:00 AM ET

Baby bottles, dirty diapers, midnight feedings, piles of laundry, all the new gear--from car seats to cribs--and a stack of bills to pay for it all. Having a child changes everything. The financial burden alone would probably cause many new parents to toss and turn even if their newborns slept through the night. After all, raising a child to the age of 17 costs parents anywhere from \$130,000 to \$261,000, according to the United States Department of Agriculture's 2003 report on family expenditures. That's before adding in the soaring cost of college.

It can be overwhelming, particularly for parents still adjusting to their new sleep-deprived existence. Truth is, unless you are already super wealthy, you can't have it all. "You can't fully fund retirement, fully fund college, up your insurance coverage, maintain your lifestyle and afford for one spouse to stop working," says William D. Starnes, a father of three young children and a financial adviser at Newark, Del.-based [Mallard Advisors](#). Or as someone else put it, you may be able to have it all but not at once. The sooner you make some tough choices, the better off you'll be.

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Parental instinct might tell you to put your children first, which is fine if you buy them a new outfit from Baby Gap rather than something for yourself. But not if it causes you to start saving for your newborn's college tuition at the expense of your own retirement. "I know one single mom who was very proud that she had put all of her children through college, but she didn't have a penny saved for her own retirement," says George S. Middleton, a financial adviser at Vancouver-Wash.-based Limoges Investment Management. "The reality of the situation just recently hit her, too late." You may be under pressure, too, from grandparents, friends and coworkers who all ask if you started your little one's college fund yet. "Don't fall into the trap. If both parents are not contributing at least 10% to their retirement plan, they need to hold off," warns Christopher Becks, principal of Strategic Financial Consultants in Longwood, Fla.

The first decision you have to make is no easier: New parents should immediately update or draft a will that names a guardian in the event of their untimely demise. Without one, the state could be determining your child's future. Step two is reviewing your life insurance coverage. The Web site of **American International Group** (nyse: [AIG](#) - [news](#) - [people](#)) subsidiary American General has online calculators to help estimate just how much coverage you need, as well as how much raising a child will cost.

Time is one thing no new parent has, so look for financial shortcuts before the baby arrives. "Simplify your life so it can run on autopilot for a couple of years," recommends Liam Hurley, a financial adviser at Columbus, Oh.-based Summit Financial Strategies. Rather than go to that **Citibank** or **Bank of America** (nyse: [BAC](#) - [news](#) - [people](#)) with baby in tow, or spend precious free time writing and mailing checks, do all of your banking online.

One budgetary silver lining of becoming a new parent: You will be so busy and exhausted that you won't need to set aside much for entertainment expenses.