



**"Luck is what happens when  
preparation meets opportunity."**

*-- Darrell Royal*

## **Items of Interest – January 25, 2012**

### **The Stork Arrived, Now What? 10 Financial Planning Tips for New Parents**

#### **1. Run the numbers**

"The fact of life is that there is no one number" for how much money you need to raise a child, personal finance expert Jean Chatzky tells *DailyFinance*. The government estimates that a middle-income family will spend more than a quarter of a million dollars to raise a child born in 2010 until he or she is 17. But the true cost of child rearing varies widely depending on parents' income, savings and goals for their children. Calculators like the one at [BabyCenter.com](http://BabyCenter.com) can be a good starting place to calculate expenses for the first year.

#### **2. Create a savings safety net**

Build a safety cushion of six to nine months of savings in case one or both parents lose their income. "One of the nice things about pregnancy is that it truly gives you a chance to ramp up savings," Chatzky says. "If you are thinking of transitioning from being a two-income to one-income household, this gives you time to road test and put some money in the bank."

#### **3. Create and stick to a budget**

While food and clothes don't cost much for infants – and new parents are often too exhausted to do anything other than sleep, eat and feed baby – hidden expenses, such as increased health-insurance premiums, can come as a surprise in the first year. There's no shortage of parenting blogs and resources for budgeting and saving money, so use them.

#### **4. Do the paperwork: Get life insurance, make a will**

Planning for the long term can also start during pregnancy, says Jonathan Geiger, a financial adviser with Charles Schwab. Figure out how much you need to pay off your mortgage and put your child through college. These estimates can be a good starting point for determining how much life insurance you need as a new parent. He recommends these basic estate-planning steps for new parents, including:

- Name a person to be the guardian
- Create an inventory of assets and debt and store it in a safe place that someone else can access
- Review and update beneficiaries on insurance
- Prepare a will

#### **5. Get a Social Security number quickly**

The longer you delay in picking a name – and hence applying for a Social Security number – after the birth, the more time you lose on saving for college. To open a special savings account under a new child's name and to claim him or her as a dependent on taxes, he or she must have a social security number.

#### **6. Prioritize your retirement savings ...**

Both financial journalist Jean Chatzky and Schwab's Jonathan Geiger agree that parents should not shortchange their own retirement funds when the new child arrives. Putting money in a Roth IRA is one way to save for both your future and your children's because it can be used for both retirement and college, Chatzky says. Geiger points out that it's critical to maximize your retirement savings potential while working. When college tuition time comes, there are other ways to make up for the shortfall, including a possible home-equity loan.

#### **7. ...but also start saving for college as early as possible**

"Many people underestimate what the cost of college is going to be," says Geiger, adding that public four-year college is expected to be in the ballpark of a quarter million dollars by 2030. "Start early. Theoretically you have 18 years to save." Special education accounts, such as a 529 College Savings Plan or a Coverdell Account, provide tax-advantaged savings accounts, and only have minimal impact on financial-aid eligibility.

#### **8. Break the expense pie into thirds**

Chatzky recommends looking at the expense of college as a pie that can be broken into three pieces. The first piece is funded by a college savings account, the second piece is funded through current cash flow by parents at tuition time and the last piece can be shouldered by the child, who can apply for scholarships, aid or loans as a student.

"It's a good thing for kids to have some skin in the education game," Chatzky says. "If there was a little more financial responsibility [on the child], I believe there would be a lot more children out of school in four years."

**9. Focus on what you can control ...**

While a strategy of saving and earning is key to financial growth, Chatzky emphasizes that parents need to look at what they can control and what they can't. Right now, controlling spending and saving is easier than controlling earnings, she says.

**10. ...but accept that you can't control everything.**

For even the most organized parents, there's no way to know what the future will bring. New parent David King of Davis., Calif., says he and his wife were hoping their daughter would be born before the New Year so they could use their health savings account for hospital bills. But their bundle of joy arrived on Jan. 3 and the bills were considerably higher than expected. Still, it's not all dollar and cents when it comes to a baby. "It's a miraculous moment," he says.

If you have any questions regarding this information, please feel free to contact our office.

**P.S. Please be advised we have discontinued our Post Office Box since the Pennsburg Post Office has closed. Starting immediately, please update your records for both CPA and Financial Services to our physical address: 437 Dotts Street, Pennsburg, PA 18073.**

P.P.S. Please forward this to your friends or colleagues that you'd like to introduce to our firm. Or send us their email address and we'll ask for permission to forward with your compliments.

Contact Info:

Kulp Financial Services  
437 Dotts Street  
Pennsburg, PA 18073  
(215)679-6221 Fax: (215)679-6233  
[info@hkkulp.com](mailto:info@hkkulp.com) [www.hkkulp.com](http://www.hkkulp.com)

If you would like to be removed from our mailing list, please email us at [info@hkkulp.com](mailto:info@hkkulp.com)

Howard L. Kulp, Registered Representative

Wendy L. Hoffman, Registered Representative

Securities are offered through Mid Atlantic Capital Corporation (MACC), a registered Broker Dealer, Member FINRA/SIPC  
Financial Advice is offered through Mid Atlantic Financial Management, Inc. (MAFM) a Registered Investment Adviser.

Kulp Financial Services is not a registered entity or a subsidiary or control affiliate of MACC or MAFM