4 ESSENTIAL STEPS TO FINANCIAL PLANNING FOR PARENTS

Sara Bailey | July 02, 2018
Share|
This week's blog post is brought to you by guest blogger, Sara Bailey of www.thewidow.net

Enjoy!

4 Essential Steps to Financial Planning for Parents

Are you a soon-to-be parent? Or, maybe you already have a little (or not-so-little) bundle of joy? Either way, financial planning is a massive part of parenthood, even if it isn’t necessarily the most talked about or exciting part of being a parent. Planning for your financial future allows you to live with the peace of mind that your child will be taken care of, even if you aren’t there to do it, and it can open up doors for your child in the future that might not be available otherwise.

Even if you’ve been a parent for decades, it isn’t too late to get started. Try these tips to get started:

Boost Your Emergency Fund

OK, so this could probably be said for everyone, not just parents. But, having an emergency fund is even more critical when you have someone else to take care of because if you have to divert money away from everyday needs to take care of an unforeseeable expense, it isn’t going to be just you that suffers. Plus, children break things, and those things are going to need replaced. If you’ve ever given a toddler a crayon or left the bathroom door open, you know what we’re talking about.

According to Nerd Wallet, you should save at least three months of expenses and keep your emergency fund in a savings account that you don’t have card access to. This prevents you from spending your funds on something want-driven such as a flat-screen TV.

Consider Your Child Care Options

It is no secret that child care is expensive. According to the Motley Fool, the average American spends over $10,000 a year on full-time childcare. Twenty percent of parents even reported spending 25 percent or more on their household income. That's about as much as their housing expenses. That is a considerable chunk no matter what your current salary is.

Because child care can suck up so much of your income, it is crucial to consider all your options. After all, choosing the wrong choice for your family can cost you thousands in revenue that you could have spent elsewhere. Even if you only have older children, reconsidering what you spend on childcare can save you lots of money in the long run.

Start a College Fund

It is never too late to start saving for your child's higher education. While this doesn't necessarily have to mean college in this day and age, every child is going to need at least a little amount of money to get the correct training for their career choice, whether that means college or technical school. Starting to save now can mean the difference between your child starting out their adult life in debt or not. Even setting aside something as small as $50 a month can go a long way.

529 accounts are probably the most popular way to save for higher education. The exact laws governing this type of saving plan vary from state to state, but generally, the money in these accounts can only be used to pay for college, which can put many parents' minds at ease. There are plenty of other options though, such as Coverdell Education Savings Accounts. Explore your options and choose the best on for your family.

Determine Your Assets

While you're at it, set up a will, too. This will require you to figure out the value of your home when determining the worth of your assets. However, ensuring your children's future is worth the extra hassle.

Being a parent is fraught with responsibilities and finances are no different. Financial planning is essential to ensure that your child's future is taken care of.

Photo Credit: Pexels

Share|