

# Million Dollar Baby

**T**aryn entered the world last month to the delight of her parents, Jennifer and Keener, and their family and friends. Seeing her the week after she was born and touching those tiny hands and feet brought back a flood of memories of how many ways a baby changes your life. Besides being a joy, a blessing and a delight, their arrival means no sleep, no time to yourself and no more romantic dinners or trips.

Children – as wonderful as they are – don't come cheap. No matter how prepared smart parents are these days, everything seems to cost more than they think it will. And the cost of education during a child's life can cause any financially savvy parent to gasp. So, here's some advice for new parents:

**Don't go overboard on "must-haves"** A trip to any baby store shows the amazing array of stuff designed to seduce first-time parents into thinking about "must-haves" for their little ones.

When my children were infants, we had a plastic baby seat, a crib and a stroller. Now children need three car seats – infant, toddler and booster – before they graduate to a seat belt.

**Advice:** Check out the child cost calculator at [www.babycenter.com](http://www.babycenter.com) for a realistic idea of what to expect. Don't get caught up in the retail frenzy.

**Expand your options for childcare** For two-income parents not fortunate enough to have grandparents standing by, daycare can put a major dent in the budget. Facilities can cost between \$200 to \$300 per week, and a nanny considerably more. Since the nanny would be an employee, be sure to budget in taxes, vacation and sick pay.

**Advice:** Check to see if your employer offers a

dependent care account. This savings plan allows you to set aside up to \$5,000 each year of pre-tax dollars in an account which you can then draw on to pay daycare expenses (and often preschool). That \$5,000 would save you approximately \$1,500 a year in taxes if you are in the 30% tax bracket.

**Plan for the unexpected** Most new parents know that "term insurance" is the cheapest and most efficient option for life insurance coverage. Many parents buy it to cover debts in the event of death or to replace income for the family. Other life insurance products do double duty as savings or investment vehicles, but have higher premiums and higher commissions for the people selling them.

New in the term life arena are "return of premium" policies. These policies cost about 50% more than regular term life, but you get your premiums back if you outlive the policy. While that may sound attractive, a quick analysis suggests that in most cases, you are better off buying regular term life and investing the difference on your own.

**Advice:** The web has helped drive term insurance rates down because you can get real-time quotes from dozens of sites with just a few clicks. Start with [www.smartmoney.com/insurance/life](http://www.smartmoney.com/insurance/life) for a worksheet to help you decide how much life insurance you need.

**School sticker shock** While college is a long way off for baby Taryn, her parents Jennifer and Keener are already considering a 529 plan for her. But many parents prefer private schools, spending \$5,000 to \$15,000 a year for private elementary school and more for private high school.

**Advice:** Start saving for education and ask grandparents to earmark gifts for that purpose. Check out the options for 529 plans, an investment plan from which money can be withdrawn tax free to cover qualified educational expenses. Go to [www.savingforcollege.com](http://www.savingforcollege.com) or Google "529 plans" and you'll have enough reading to cure many a night of insomnia. ☺

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