Take Your First Steps Before They Take Theirs: Financial Planning For The New Parent

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The first few days after you bring your baby home is an exciting time that can also be a bit stressful. So can the first few weeks. Many parents also find the first few months stressful, while others are stressed over their parental commitments a while longer. It's easy to get caught up in sleepless nights, organic baby food, and reading every book you can find, but sometimes parents forget an obvious priority: teaching and helping your child to save money as they grow up.

1. Set up a savings account for your child and make regular deposits.

You don't have to know what you want to do with your child's savings yet. However, the first step is as simple as opening a savings account for your child. Studies show that young adults who had savings accounts as children make better financial decisions, are more prepared for financial emergencies and plan better than their peers who didn't grow up with savings accounts. So, for now, open a savings account, put a few dollars into it every paycheck and invite your child to participate by making deposits of their own when he or she is old enough. **MembersAlliance offers savings accounts specially designed for kids. They offer dividend rates and we have educational resources so your child can learn to be smart with their money. You can find out more here: https://www.membersalliance.org/**

2. Start saving for college now.

Most parents know they need to save for their child's college education, but few seem to realize how much college will cost. Education costs have been rising much faster than inflation, and if you've been out of school for a few years, you might be shocked by the costs. To make matters worse, and more expensive, many universities are receiving fewer public dollars, and getting a larger portion of their income from tuition, thus passing the cost on to students.

All told, experts expect four years of public school to cost around $250,000 by 2030. It could be even higher. While it's difficult to imagine saving that much money, don't give up or neglect to even try. First, think of college costs as a pie that's been split into thirds. The first third will be paid for by your loans and awards your child earns. You'll pay for the second third using the income you earn at the time. Only one-third needs to come from a college savings fund. Granted, one-third of $250,000 is $83,333.34, and that's a lot of money. Take a deep breath, because you have decades to save it, and you have a secret weapon: compound interest, which Einstein called the most powerful force in the universe.

MembersAlliance offers college savings plans with rates of RATE, including 529 Savings accounts which can have significant tax savings. MembersAlliance also offers Coverdell accounts, which allow you to contribute up to $2,000 a year and withdrawals are tax-free.

3. Focus on what you can control.

If you've been a parent for more than a few minutes, you've had at least one moment of pure panic while thinking about the future. Perhaps, on one of the few nights your baby allows you to sleep, you decided to keep yourself up by listing every terrible thing that could happen to you, your partner or your child. There's so much you can't control, of course, so place your focus on the things you can control.

Disaster sometimes strikes, and when it does, it's usually unexpected. But there's nothing you could do to prevent it. We don't like to think about life ending, but it is inevitable. Instead of panicking over it, plan for it. While you're at it, start planning for some of the less dramatic problems that might crop up. Start with life insurance, then look into other savings products and programs that are designed to protect your family.

One mistake many new parents often make is to immediately start throwing money at college savings while ignoring their overall financial picture. If you read the numbers in the previous point, it's easy to see why. Start by building a nest egg that can carry you through 6 to 9 months of lean time, and then build your retirement fund. Money market accounts are a good way to build your short-term nest egg, because you can access your money if you need it, and, you'll be getting a better return than traditional savings.

As for retirement, you may not have given it much thought since your initial conversation with HR. Now is the time to see what else you need. Remember, you can take a loan to pay for college, but you can't get a loan to retire. Even if you want to put college money away now, you can still get tax incentives if you contribute to your retirement at the same time. **Browse MembersAlliance's retirement options at https://www.membersalliance.org/, or call us at 815-226-2260 if you want some help figuring out what's right for you.**

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