Setting Financial Goals for New Parents

Image Credit: Pexels

Being a parent can be a daunting role. Complicating matters is the considerable cost of raising a child, which is estimated to be around $233,610, according to the U.S. Department of Agriculture (USDA). Floridian families, in particular, will need some $232,050 to raise a child from birth to age 17. Unfortunately, those projections haven't taken into account the ongoing health crisis that figures to bring the cost of living up. For new or expecting parents, this can be a concern — but there's a work-around to it: create a financial roadmap for the future. Central to this roadmap are a number of financial goals that you must strive to attain.

Financial Goals New Parents Need to Set

The following are the financial goals new and expecting parents must set:

Have an Emergency Fund

By having an emergency fund, you'll have something in case of unplanned expenses, like someone in the family getting hospitalized. Ideally, aim to save up 3-6 months' worth of your expenses, so you'll have enough funds for any type of rainy day.

Get the Family Insured

Insurance protects everyone in case something untoward happens. You can start by adding your baby to your health insurance plan immediately (within 30-60 days), so that they'll be covered retroactively. Then, get yourself life insurance which will protect those who rely on you against worst-case scenarios.

Save Up for *Your* Retirement

Retirement is a long way off, but you need to start preparing for it *now*. If you don't you could become part of the 25% that have no retirement savings. If you don't start saving you could decrease your standard of living as you get older and may even become a financial burden to your children later on in life.

Save Up for College

The cost of college education is rising, and is projected to reach $183,837 in 18 years just for public colleges. Create that college fund now, so you can send your child to college with little financial duress and without the need to borrow too much from the bank.

Tips to Reach Those Financial Goals

With your goals set, you'll need to be proactive so you can attain them. The tips below will help:

Hire a Financial Advisor

Parenting can be overwhelming and can lead to poor financial decisions, especially for young parents. One way to counter this is to seek expert advice from financial advisors, who are equipped with the knowledge to help you reach your financial goals.

If you are already against this idea don't be surprised, as 99% of Americans don't use a financial advisor with many thinking that they are only for the wealthy. The good news is that more people are becoming financial advisors after graduating from university due to the growth in job opportunities. Those with finance degrees are projected to become part of a 7% increase in financial advisors by 2028. What this means for new parents is that there will be an increase in competition among advisors, which in turn will mean lower costs, making them ideal for those with limited funds. And the payoff will be huge.

The knowledge these professionals will pass on will not only help you manage your money, but also grow it. In this way, you'll increase your chances of attaining the financial goals you have set.

Create a Budget

In year 1 alone, expect to shell out upwards of $21,000 for your baby's needs. That's why it's imperative that you start budgeting as early as possible. Try to follow the 50/30/20 approach, where you allocate 50% of your income to needs (i.e., household bills, child care expenses), 30% for wants, and 20% for savings and toxic debt repayment (i.e., payday loans, credit card balances). Following said formula will prove difficult at the start, and that's okay. Just make sure you keep track of all your spending then make the necessary adjustments. In case you need help, our Strong Families Program will help you with budgeting and credit rebuilding — for free!

Save Smartly

The key to saving smartly is to *pay yourself first* — meaning, put your savings in your account once you receive your salary. In this way, you won't have to worry about it anymore, and won't be tempted to use it. Then, look to open a high-yield savings account (HYSA), as it offers much higher interest compared to traditional savings accounts (1–1.5% against 0.01%).

Automate What You Can

Finally, leverage technology by automating everything that you can automate. We recommend that you set up automatic bills payment, so you don't forget about them (which can result to late payment fees and cause dips in your credit rating). Then, set up recurring deposits from your checking account and into your individual retirement account or 401(k). You can also use fintech tools such as Acorns and Stash to automate your personal savings.

Today's new parents face many financial hurdles but there are ways to overcome them and start creating a strong foundation for your family. If you are a new parent, we hope the above tips have helped.

Written for uwmc.org by Jane Brelle