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FINANCES FOR NEW FAMILIES

Congratulations! Adding a member to your family, whether a spouse or a child, will likely be among the most joy-filled and exciting times of your life. It is also a very important time since the actions you take during these times will go a long way toward laying the groundwork for your family's future. By reviewing your financial situation and establishing a plan for reaching your family's goals, you will create a more secure outlook and get to where you want to go faster. The information presented here is designed to give you the resources you need to make wise choices and stay on track going forward. Use it to create a financial plan for your family, conduct periodic check-ups, or brush up on particular topics. You want the best for your family, so it makes sense put your money to work achieving that.

Why Does It Matter?

Changing the composition of your family is almost always going to result in a change in money dynamics too. Because of that, these times tend to be great opportunities to evaluate your spending and savings plan, goals and overall financial strategies.

Almost every family is going to go through times of disruption or struggle in the future. Whether it is because of a sudden, unexpected increase in expenses or because of a loss of income, these turbulent periods can be extremely stressful if a family is not prepared to deal with them. By taking the time to map out a long-term plan for your family, you not only give yourself the opportunity to withstand these difficult stretches, but do so while maintaining the focus on your family's aspirations.

Getting an early start on working toward future goals like vacations, buying a home, paying for a child's college, or retiring early means putting time on your side. Even putting a little money into savings or investment accounts each month can give you a huge boost as the months and years pass. A solid spending and savings plan not only allows you to meet your expenses, but it also has room for putting money toward your hopes for the future.

PART I: MARRIED FINANCES

Goals

The first step in the march toward your goals is to figure out where your family is trying to go. Many people find that discussing and writing down goals really helps to get and keep them focused on what they really want to get out of life. As you write down your family's goals, don't focus on what you think you "should" have as a goal or what others would expect you to write. Your goals are your own and no one else's, so really think about what is going to give your family the greatest comfort, happiness and peace of mind.

Once you have nailed down your family's goals, begin to think about the specifics of how you will achieve them. All financial goals should be specific, measurable, and realistic. Break down each of your goals into how long you think it will take to achieve it. Identify each goal according to whether it is a short-range, mid-range, and long-range goal. Short-range goals can be accomplished in one year or less, mid-range in two to five years and long-range in five years or more.

The Financial Goals Worksheet (on page 7) will help you determine the timeline for your family's goals and the amount of money you'll need to save each pay period to reach them. If you find that you are not able to put aside as much money as you would like to each paycheck, brainstorm ways you can either increase your income or decrease your expenses. If it still seems like you won't be able to get there in the time period you have projected, don't get discouraged. Any amount you can put toward your goals is a positive step. You may have to lengthen your timeframe, but don't give up. Discuss with your spouse which goals you would like to prioritize the most.

Spending and Savings Plan

Once you have determined where you want to get as a family, focus on a spending and savings plan as the engine to get you there. With that concept in mind, it's important to do a thorough review when you are starting out and to make regular check-ups going forward. It's vital you do this together as a couple, since it will impact how both of you use your money going forward.

Income

The first step in devising your spending and savings plan is to get an accurate picture of your combined income. Use the Monthly Income Worksheet (on page 10) to record all sources of income for the both of you. For any income received from an employer, it is best to use your actual paystubs when you are compiling this information, since you will want to make sure your tax withholdings are appropriate for your new status as a married couple. If you are not sure if you are withholding the proper amount, use the IRS tax withholdings calculator at www.irs.gov/individuals to get an estimate of what would be appropriate for you. Remember that the best result at tax time is to neither owe taxes nor get a refund. If you get a large refund every year, you are essentially loaning the government money for free that you could be putting toward your goals. Also remember when examining your pay stubs to make special note of any money you currently have automatically deposited in retirement or savings account since these should be accounted for when calculating your total net income.

Be sure to not count overtime or bonuses as regular income, since these can be eliminated at any time – and often are. Try to complete a spending and savings plan that allows you to cover all your expenses and goal allotments without having to rely on overtime or bonuses. If either of your incomes varies, use an average figure based on the last three to six months.

Expenses

It is paramount for you as a couple to capture a realistic picture of monthly expenses and analyze how those expenses are impacting your overall plan. While this can be challenging, it can help to think of your money choices in terms of whether they are getting you closer to your goals or farther away. One of the biggest benefits in analyzing your expenses is gaining perspective on all your transactions, big and small. While spending a few extra dollars a day on things like coffee or buying lunch at a restaurant can seem inconsequential at the time, when viewed in the scope of a monthly expense, they can be revealed as impediments to achieving your aspirations.

To arrive at realistic figures, it is best to track both of your expenses for a full month. While this may sound like a daunting task, technology can help. If you have online access to your checking account, consider making all your payments for a month using a debit card since doing so will automatically keep an electronic record for you. There are also various mobile device applications or web-based tracking programs you can utilize for this purpose. If you feel more comfortable tracking your expenses on paper, be sure to keep all your receipts for a month or keep an expenses notebook with you.

Try to be as honest as possible about your expenses. Starting out your marriage with a genuine appraisal of where you stand will make your finances much easier in the months and years to come. If expenses are excluded or underestimated, you will have a false impression of your cash flow situation. This can lead to a deficit each month, which of course is not sustainable. If your spouse has expenses you feel aren't in the range they should be, resist any urges to be judgmental. Instead, ask if there are ways to have as enjoyable lifestyle without spending quite so much. Always remember that you are teammates working together to achieve your common goals.

Use the Weekly Tracking Worksheet (on page 8) and the Essential/Discretionary Expense Worksheet (on pages 9-10) to list your expenses.

Savings

Now that you've made the commitment to each other, think about making a commitment to creating the best possible financial future together. The ultimate spending and savings plan doesn't just cover your expenses, but also allows you to put money toward your goals each month. The general guideline among financial experts is to ideally save 10% of net (after tax) income each month. This figure includes money put toward retirement and other goals, as well as emergency savings. Normally the recommendation is to try to accumulate 3-6 months worth of expenses in the emergency account. It can help to think of your goals as "bills" that need to be paid each month and to automate the process by direct depositing part of your paychecks into accounts dedicated to particular goals.

Debt

While some debts – like student loans or a mortgage – can be thought of as an investment in your future, other forms of debt that don't help you move toward your goals can be thought of as negative investments in getting your family where it wants to go. Aggressively paying down unsecured debts like credit cards and personal loans may mean sacrificing a few luxuries in the short-term, but eliminating these kinds of debts as soon as possible will free up money going forward that you can put toward more fulfilling uses.

The Unsecured Debt Worksheet (on page 11) give you a way to comprehensively list all your creditors and respective balances.

Advantages

Being married comes with its own set of financial advantages to explore. A qualified tax professional can help you understand any tax advantage available to married couples. Next, you will want to look for categories in your budget and spending plan that can be positively affected. Among these are potential savings in areas like health or auto insurance, housing, and service provider contracts. Marriage can also create opportunities to generate additional income by selling redundant items like extra vehicles, furniture or electronics.

It's important to consider wisely how you will use this newly freed-up money. It can be very tempting to treat yourself by going out to eat more or going to more movies or concerts. While there is nothing inherently wrong with those activities, think about how those kinds of extra expenditures will impact the goals you have set as a couple.

Credit

In addition to the monetary requirements, many of your future financial plans may also necessitate having a strong credit history. Since improving your credit can take time, it is great to start working on it as soon as possible. The first step is to get copies of your credit reports from all three credit reporting agencies – Equifax, Experian and TransUnion. Because of a federal law called the FACT Act, you are entitled to get each of these reports for free once every 12 months from a consolidated service. The contact information:

Annual Credit Report Request Service
P.O. Box 105281
Atlanta, GA 30348-5281
www.annualcreditreport.com
(877) 322-8228

The website and the toll-free phone number are generally the fastest ways to get the credit reports. Once you have copies of the reports, first review them for any mistaken information. Federal law gives you the right to dispute any information you believe to be incorrect, so contact the credit reporting agency directly by using the phone number, mailing address or website listed on the report where you found an error.

Your next step as a couple is to review together the financial information on your reports. Even though you are now married, you will always have separate reports. Be on the lookout for any bankruptcies, judgments, liens or collections account on the reports, since these types of listings generally have the greatest negative impact on your credit standing. If you have any of these negative items that are still showing unpaid balances, contact the holder of the debt to arrange a settlement.

Since most negative items only stay on your credit report for seven years, be careful not to pay a settlement on an account that has an "age-off" date in the near future. Additionally, always remember to get any settlement agreement in writing before you make any payment on the settlement. For more help with understanding how to deal with negative information on your credit reports, contact a professional trained in analyzing credit reports, such as a counselor at BALANCE.

In addition to taking care of any negative items on your credit reports, it will also be of major importance for the two of you to look for ways to consistently add positive information to your reports. An account that will allow you to have on-time payments recorded with the credit reporting agencies every month for an indefinite period of time – like a credit card – will help you both add positive information to your credit file long-term. This can be either with joint or separate accounts.

Do your best to keep up your payments on all your reported accounts – credit cards, personal loans, car notes, mortgage, etc. – and keep your balances as low as possible on any revolving accounts like credit cards or lines of credit. Adding positive information like this, along with addressing negative items on your credit report, will with time open up new financial opportunities for your family.

Assigning Responsibilities

The job isn't done once the plans are in place. Family finances need continued attention and monitoring. Having a meeting to divide these tasks can help you avoid any misunderstandings or missed responsibilities.

First off, decide if you will have joint or individual finances. There isn't necessarily a "right" way to do it since it is a matter of personal preference. Having joint accounts makes it easier to analyze how effectively you are working together toward your goals, while individual accounts can be easier for continuity's sake. Talk about what feels most comfortable for each of you and for your unique situation.

Regardless of whether you choose to have accounts together or apart, refer back to your spending and savings plan and make a list of all the bills you will need to pay going forward. For each of the bills, decide how it will be paid and who will be responsible for making sure that happens. Try to divide the responsibilities relatively evenly so that one partner doesn't feel over-burdened with tasks. As you do this, focus on each of your strengths. If one of you is more detail-oriented, that person would be a good candidate for bills that need closer examination, like a credit card bill that has several charges that need to be reviewed for accuracy.

Paperwork

The marriage license isn't the only bit of paperwork you need to think about when you get married. Here are some others you may want to pay attention to:

- **Prenuptial agreement**
  While not the happiest thing to think about when you are about to be wed, a prenuptial agreement can give both partners the peace of mind knowing that in the unfortunate event you do need to file for divorce, there will be a clear plan in place for the dissolution of the marriage.
- **Power of attorney**
  Giving your spouse power of attorney gives him/her legal right to make decisions on your behalf in financial, health, and other matters. This is especially important should one of you become incapacitated and unable to manage personal affairs.
- **Beneficiary information**
  If you would like to make your spouse the recipient of your retirement account, investment account, or life insurance policy should you pass away, check with the administrators of each to ensure your spouse is listed as the beneficiary.

Communication and Teamwork

In all that you do to manage your finances as a married couple, it is important to remember that you are a team. You each have a partner in money management and that is a powerful tool to help you achieve your goals. To take full advantage of your skills and resources, make a regularly scheduled meeting – at least once a month - to review your finances together. Try to be as open and honest as you can. Little problems can snowball into much bigger issues if they are left covered up. Don't be afraid to talk about your strengths and your challenges in managing your money. Now that you have a partner, you may find that you complement each other very well and have the ability to lift each other up.

Every married couple faces challenges at one point or another. By taking the time to put a plan in place for your money, you will help build a financially strong family that is better prepared to weather any storms that may come.

PART II: NEW CHILD FINANCES

Pre-pregnancy

If you are still in the planning stage of having a child, check each of your insurance policies (if you have separate coverage) to determine not only what will be covered for prenatal care, but how comprehensive the coverage will be for your child after he/she is born. This will help you to know if you need make changes to your coverage before the pregnancy. Check with your Human Resources representative at work or your insurance provider for more information. If there are expenses related to the pregnancy or the child's healthcare that won't be covered under any available plan, this analysis will give you an idea of what you will need to save to cover these costs.

It is also a good idea, if possible, to examine before the pregnancy the income impact you will be facing. Check to see what your employer provides for maternity leave, unpaid leave, or disability pay. It can be helpful to create a separate spending and savings plan specifically for the period away from work. Once you have identified the extra expenses during this period and have an idea of what your income will be, you will be able to develop a spending and savings plan to navigate this time with as few financial concerns as possible.

There are options available outside of simply gathering money in a regular savings account for your pregnancy-related expenses. A flexible spending account, or FSA, is an account set up through an employer to provide savings to the employee that is not subject to payroll taxes. The money saved in the account, which is deducted from your paycheck, must be used for qualified expenses, like medical or childcare costs. It's important to remember that FSA's generally require that all the money saved in the account be used or else be lost to the employee.

If you are concerned that you won't have enough income to cover all the costs of pregnancy, contact your county's human services department to learn what assistance programs might be available to provide help.

Spending and Savings Plan

As mentioned above, it is very helpful to do a spending and savings plan for the work time that will be missed. However, the planning shouldn't stop there. Having a new baby to care for almost always means substantial changes to a family's income or expenses, or both. Having a plan in place for dealing with these changes before they arise can make one less thing for your family to worry about. Here are some important questions to consider:

- How will your family's income be impacted by the new baby? Will either of you be working less or not at all to care for the child?
- What new expenses will you incur for childcare, diapers, formula, food, clothes, car seat, stroller, etc.?
- How will the "big picture" change for your family? Will you want to move into a bigger home? Will you want a vehicle that is safer and/or has more room?

Taking the time to answer these questions will help you design a realistic spending and savings plan for your family. Try to avoid depleting your emergency savings or using credit cards to cover your expenses when the baby arrives. Both of these can put your family on shaky ground.

Making Ends Meet

If, when calculating your post-baby bottom line, you find that you are coming up with a negative figure, don't panic. There are several ways to bring your numbers into friendlier territory. Here are some suggestions:

- Try to focus on what your child really needs. There may be a temptation to buy the latest "must-have" video for babies, but quality time with mom or dad is a whole lot cheaper and likely to be much more rewarding for everyone involved.
- Wait a few weeks to buy all but the bare necessities for the baby since you may get many things you want as gifts from family or friends.
- Gently used clothes, whether from a thrift store or from loved ones, work just fine for babies. A newborn isn't going to mind, and you could end up saving hundreds of dollars just in the first year.
- In addition to being a big personal decision, childcare is always a major financial consideration too. If you decide to enlist the help of others, ask relatives or close friends with open time on their schedule if they would be interested in helping.
- While situations and preferences vary, choosing to breastfeed your child can save quite a bit of money over having to buy formula.
- If one of you is going to stay home to care for your child, consider work that can be done remotely, like consulting, social media management, transcribing, online tutoring or being a virtual assistant.
- Telecommuting jobs are becoming more and more common, so don't be afraid to take a creative approach to finding or creating a job that fits your needs.
- One of the side benefits of having a new member of your family is that it can actually reduce your expenses in some areas. For example, many families find that their entertainment expenses greatly decrease in the first few years after a child is born. With more nights spent at home with the baby, less money is spent on movies, concerts, and fine dining. Keep an eye out for other ways your little bundle of joy can help you save.

Insurance and Wills/Trusts

Two of the most important checklist items for new parents are to review insurance coverage and to create or review wills. While these aren't the most pleasant things to think about at this joyful time, it is good to remember that making sure your family is covered no matter what happens is always the best strategy.

Start by reviewing your life and disability insurance policies with a Human Resources representative or your plans' provider. Make sure you are fully aware of what the policies will provide should either of you die or become disabled. If you do not feel that the benefits would be enough to live on, talk to your insurance agent about options to beef up your coverage.

A will is your way of making sure your assets and personal effects are distributed in the way you want them to be should you pass away. This legal document also stipulates how you would like the guardianship of your children to be handled. If you don't have a will in place when you depart, a court can make these determinations according to the laws of your state.

A trust has the advantage of providing more privacy and more potential tax advantages than a will. It can also be set up to provide an ongoing flow of income to your beneficiaries. If you have any questions about the options available through a will or trust, contact an attorney or an estate planner for more information.

Taxes

Savvy new parents understand that a new child can have tax implications for their family. Be aware that the new baby could mean you will be impacted by:

- **Dependency exemption –** A baby can be listed as a dependent on your taxes, which shelters a portion of your income and reduces your tax burden. Make sure to request a social security number for your baby when the birth certificate is being processed.
- **Child credit –** Depending on your income level, you may qualify for a tax credit for your child, resulting in a dollar-for-dollar reduction in your tax bill.
- **Withholdings –** Because of the extra dependent you are claiming, you will want to change your tax withholdings with your employer. File a new W-4 form to claim an additional withholding allowance. This will reduce the amount of money you have taken out of your paycheck for taxes, since the amount of taxes you will be paying – all other things being equal – will be reduced.
- **Childcare credit –** If you pay for childcare so you can work and you meet certain other qualifications, you may be able to receive a tax credit for the money you spend on the childcare.

Contact a qualified tax professional for any questions on a child's impact on your specific tax situation.

College Savings

It's never too early to think about creating a savings plan for your child's college expenses. The sooner you start the more ability you have to harness the power of time. Among the most popular types of accounts for college savings are:

- **Custodial accounts –** This type of account, available at most financial institutions, is created for your child but managed by you. It allows you to transfer assets to your child without having to establish a trust. This type of savings vehicle has fewer restrictions than other options, but doesn't offer tax-deferred growth and could negatively impact your child's ability to get financial aid since they have assets.
- **529 plans –** Offered by individual states, these savings tools offer tax-free growth on contributions and tax-free deductions for money spent on approved schooling costs. You can invest in any state's plan, so while you have no control over the investments the plan makes, you can research to find a state whose approach meshes with yours. The contribution limits tend to be much higher than what is allowed with a Coverdell account.
- **Coverdell Education Savings Accounts –** These accounts, also available at most financial institutions, offer tax-free growth as well as tax-free deductions as long as the money is used for qualified educational expenses for your child. Contributions limits are in place for Coverdell accounts and if your income is above a certain threshold, you may not be allowed to contribute at all.

FINANCIAL GOALS WORKSHEET

YOUR GOALS		TARGET DATE	TOTAL NEEDED	CURRENT SAVINGS	ADDITIONAL SAVINGS NEEDED	PAY PERIODS UNTIL TARGET DATE	SAVINGS NEEDED PER PAY PERIOD	SAVINGS NEEDED PER MONTH
Short-term Goals (under 1 year)								
Mid-term Goals (1-5 years)								
Long-term Goals (over 5 years)								

WEEKLY TRACKING WORKSHEET

ITEM	MON	TUE	WED	THU	FRI	SAT	SUN	TOTAL EXPENSES	WEEKLY BUDGET	OVER / UNDER
Groceries										
Restaurants										
Laundry/Dry Cleaning										
Medical/ Dental										
Auto/Gas/ Parking										
Other Transportation										
Child Care										
Personal Care										
Clothing										
Bank Fees/ Postage										
Entertainment										
Books/Music/ Video										
Cigarettes/ Alcohol										
Gifts/Cards										
Home/Garden										
Church/ Charity Contributions										
Other										
Other										
Other										
Other										
Other										
Other										
Other										
WEEKLY EXPENSE TOTALS										

Notes

ESSENTIAL EXPENSES WORKSHEET

Household expenses are categorized into essential and discretionary. Since many expenses are variable, such as utilities and groceries, it is important to average these expenses. Other expenses are periodic (such as insurance or vehicle registration). Again, calculate the annual amount and divide by 12.

CATEGORY	EXPENSE	AVERAGE PER MONTH	GOAL PER MONTH
Housing	Rent/Mortgage		
	2nd Mortgage/Equity Line		
	Homeowner's/Renter's Insurance		
	Condo Fees/HOA Dues		
	Home Maintenance/Monitored Alarm		
	Lawn/Garden/Pool		
	Gas/Electric		
	Water/Sewer/Garbage		
	Internet/Cable/Satellite		
	Landline/Cell Phone		
Food	Groceries/Household Items		
	At Work/School		
Insurance *(exclude payroll deducted amounts)*	Health/Dental/Vision		
	Life/Disability		
Medical Care *(exclude payroll deducted amounts)*	Doctor/Chiropractor		
	Optometrist/Lenses		
	Dentist/Orthodontist		
	Prescriptions		
Transportation *(exclude payroll deducted amounts)*	Vehicle Payment #1		
	Vehicle Payment #2		
	Auto Insurance		
	Registration		
	Gasoline/Oil		
	Maintenance/Repairs		
	Public Transportation/Tolls/Parking		
Child Care *(exclude payroll deducted amounts)*	Daycare		
	Child Support/Alimony		
Miscellaneous	Banking Fees		
	Union Dues		
Income Taxes	Federal/State Tax Repayment		
	Estimated Tax Payments (Self-Employed)		
Savings	Emergency		
	Goals		
TOTAL ESSENTIAL EXPENSES			

DISCRETIONARY EXPENSES WORKSHEET

CATEGORY	EXPENSE	AVERAGE PER MONTH	GOAL PER MONTH
Personal	Beauty/Barber		
	Clothing/Jewelry		
	Laundry		
	Cosmetics/Manicure		
Entertainment	Movies/Concerts/Theater		
	Books/Magazines		
	CD/DVD		
	Dining Out		
	Sports/Hobbies		
	Vacation/Travel		
	Other		
Miscellaneous	Tuition/Lessons		
	Pet Care		
	Postage		
	Holiday/Birthday/Gifts		
	Cigarettes/Alcohol		
	Charity/Religious Contributions		
	Other		
	Other		
TOTAL DISCRETIONARY EXPENSES			

MONTHLY INCOME WORKSHEET

Enter your gross and net (after taxes) income from all sources. For income received infrequently, such as bonuses or tax returns, calculate the annual income, then divide by 12 to find the monthly amount.

SOURCE	YOURS	SPOUSE/PARTNER
Income Source/Employer		
Part-time Employer/Second Job		
Retirement/Pension		
Child Support/Alimony		
Social Security		
Food Stamps		
Unemployment Insurance		
Support from Family/Friends		
Rental Income		
Other Income (variable or periodic)		
TOTAL MONTHLY INCOME		

CREDITOR	BALANCE	MONTHLY PAYMENT
1		
2		
3		
4		
5		
6		
7		
8		
9		
10		
11		
12		
13		
14		
15		
TOTAL		

Click here to schedule your Personal Financial Checkup today for helpful guidance and more tips!

Or contact us directly via email: TruliantAtWorkTeam@Truliantfcu.org

truliantfcu.org/tawmembership