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Bundle of joy, bundle of money

Holy pacifier! Having a baby is still producing financial shocks

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BY LYNNE TICKNOR
BANKRATE.COM

It costs a middle-income family \$250,000 to raise a child from birth to age 17, according to a recent study by the U.S. Department of Agriculture. And that doesn't include the cost of a college education.

In the first year alone, the costs of a baby can reach between \$9,000 and \$11,000, and most new and expectant parents don't realize the size of the financial burden they are taking on.

"Most people are more focused on the schedule disruptions and the exhaustion they will be facing," says Brette McWhorter Sember, a retired lawyer and author of "Your Practical Pregnancy Planner: Everything You Need to Know About the Financial and Legal Aspects of Preparing for Your New Baby" (McGraw-Hill, 2005).

So, where does the money go? Here are the top nine financial shocks that parents face when they add a child to their family:

1. Medical expenses: Medical care for mother and child is a potentially significant expense facing new parents. The cost of delivering a new baby can range from \$5,000 to \$8,000 for a vaginal delivery to more than \$12,000 for a cesarean delivery. If there are complications, those costs can increase dramatically. Even if your child is in perfect health, new babies require numerous well-visit checkups and immunizations.

"If you don't have insurance or have a rather pricey co-pay, you'll be shocked at how much it costs every time you take your baby to the doctor for shots, well-care and sick visits," says Jeannette Moninger, the mother of twin boys in Greenwood, Ind.

Be sure to check the terms of your health-insurance coverage carefully, so there are no surprises when it comes to who is responsible for paying for what portions of your and your baby's medical care. Because many health plans penalize you for using doctors that aren't on the health plan's approved list, confirm that your obstetrician (including the hospital at which you plan to deliver) and pediatrician are "in network." An often overlooked expense is the additional cost to add a child to your health insurance.

After reviewing your health insurance coverage, check to see if your employer offers a health-care, flexible-spending account. These accounts can significantly reduce the burden of out-of-pocket medical expenses by allowing you to pay for qualifying expenses with pretax dollars.

2. Maternity leave: Although most short-term disability insurance policies cover the time Mom is out of work due to recovery from child birth (or complications during pregnancy), the average policy only pays a portion of your gross income for a set number of weeks (usually four to eight) after birth. If your maternity leave extends beyond the stipulated time, or if Dad decides to take advantage of the Family and Medical Leave Act, or FMLA, it will be at no pay unless you use vacation or sick leave.

To cover the cost of that lost income, Deborah Wilburn, author of "For Richer, Not Poorer: The Newlyweds' Financial Survival Guide" (Perigee, 2005), suggests some advance planning. "Couples should try saving one of their salaries for several months leading up to the delivery date," says Wilburn.

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