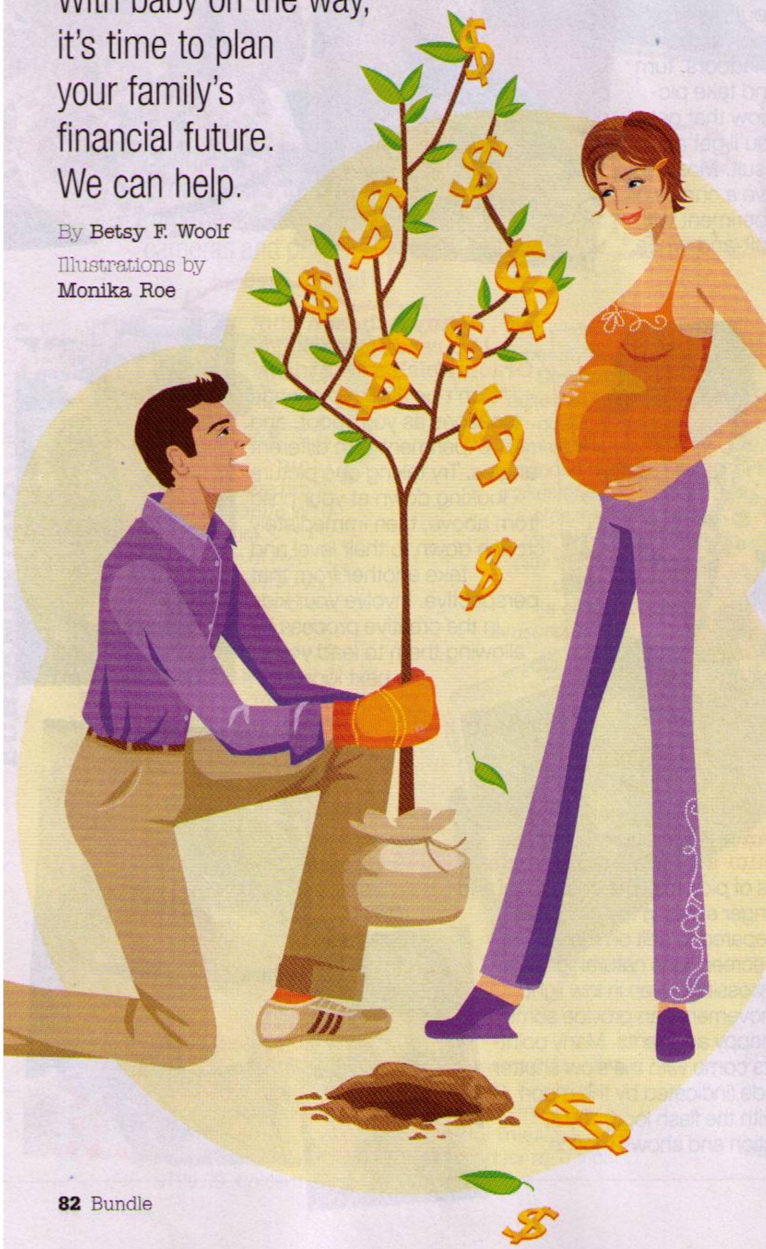
growing your assets

With baby on the way, it's time to plan your family's financial future. We can help.

By Betsy F. Woolf

Illustrations by Monika Roe



Q We don't have time to sit down and make a budget. Is there a faster way to plan?

A "Grab your bank statements for the past six months and see how you've spent your money," says financial planner Marc Freedman of Freedman Financial in Peabody, Massachusetts. "That'll at least give you a start." Then look at what expenses you can eliminate or cut back on.

You should also think about how your work life will change and how that will affect the money you'll have to spend, advises Jane Bryant Quinn, author of *Smart and Simple Financial Strategies for Busy People* (Simon & Schuster). If you're a two-income couple, will you now be living on one paycheck? If not, what will childcare cost? What if your plans change? Leave some wiggle room in your budget in case you decide to stay home and not go back to work.

Q We're just starting out. What are the first things we need to make our family financially secure?

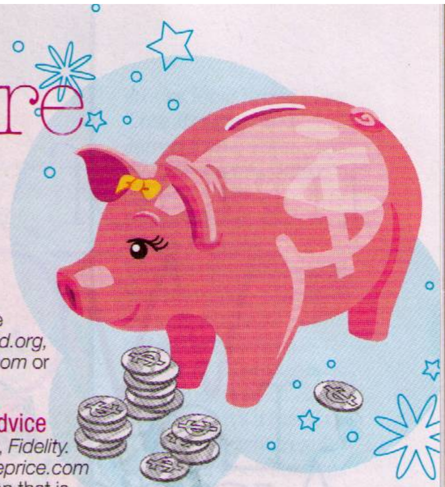
A First you need health insurance and life insurance, followed by a retirement fund and savings. **Health insurance.** "Don't assume your insurance is going to cover your pregnancy, labor and delivery," says Quinn. Check your policy and find out which services it covers and what it will pay. Some policies may *require* you to take parenting or maternity management classes. Your plan probably covers your newborn, but you must notify your insurer after baby is born (usually within 30 days) so that the baby's health will be covered beyond birth. **Life insurance.** A young family needs protection in case either or both working parents dies. Term insurance is an economical way to do that. You buy it for a certain period, such as 20 or 30 years, and it protects your family against the income lost if a bread-winner dies.

Retirement: You should have a 401(k) plan at work and, if you're self-employed, an Individual Retirement Account (IRA). If you're in your 20s, you should save at least 10 percent of your income, Quinn says. (If your employer contributes to your plan, you can deduct that amount from your 10 percent.)

Savings: Quinn recommends you set aside one to two times your basic monthly expenses for emergencies.

wealthcare online

The web provides bundles of financial planning assistance



life insurance

Estimate your needs at *Choosetosave.org, Tiaa-Cref.org* or *Dinkytown.net*. (These sites can help with retirement planning, too.) Compare costs of policies at *Term4sale.com* and *Insure.com*.

college savings plans

SaveforCollege.com has links for all state 529 college savings plans. (If your state's plan is expensive, check out Virginia, Utah and Ohio.) *Collegesavings.org* is a clearinghouse for information on savings programs.

Estimate your monthly college savings at *Finaid.org, Collegeboard.com* or *Dinkytown.net.*

investment advice

Vanguard.com, *Fidelity.com* and *Troweprice.com* have information that is clear and easy to read.

managing your finances

Quicken (*Quicken.com*) and Money (*Microsoft.com*), popular personal financial software, have new versions for 2006.

rebates

Babymint.com and *Upromise.com*: Join and get cash back for the things you buy. (You do have to shop within a network of businesses or apply for a sponsored credit card.)

Q Shouldn't we save for college first?

A No. "You don't want to sacrifice your retirement in favor of your child's education," says Freedman. You can find other ways to fund college—loans, grants, work-study or public college—but you won't be able to cover the uncertainties of old age unless you start saving now.

When you do eventually save for college, the fund most experts recommend is a 529 college savings plan. Your state probably has one. The money you earn from the plan is tax-free if your child uses it for college, and your state may even give you a tax deduction or credit for contributions you make to it. And you don't have to use your own state's plan; another state may have a better deal, so shop around. Put the plan in your name, with your child as beneficiary, because money in your name will be counted less by colleges when they award financial aid to your child.

Anybody can put money into your 529, including grandparents!

Q With a new baby, my life's going to be topsy-turvy. What can I do to make it easier to get through all the bills every month?

A Find a bank that will handle *all* of your cash flow—deposits, savings, and certificates of deposit. Then, automate. Set up your bank account to make monthly deposits to your retirement plan, pay down your credit card debt (although it's best not to have any debt at all), even contribute to your 529 plan.

One way to ease the hit from a large purchase, like a refrigerator, says Brette McWhorter Sember, author of *Your Practical Pregnancy Planner* (McGraw Hill), is to look for purchase plans that allow you to defer payments a while and don't charge interest.

Q Do I need a will?

A Yes. Depending on where you live, you'll need either a will or a revocable trust, says Judith Stein of Wilmington Trust Company in Wilmington, Delaware. "The most important thing a will does is name a guardian or guardians for your child should something happen to you," she explains. Hire an attorney to do it; it's a one-time expense that shouldn't run more than a few hundred dollars. While you're at it, have your lawyer draw up health-care proxies and powers of attorney, too. You may be able to get a package deal on the price if you do it all at once.

Q My mother says I have to get a Social Security number for the baby. My baby won't be going to work for a long time, so why bother?

A Because a Social Security number is necessary to receive child-related tax breaks or to set up a college savings plan or bank account for your baby. You'll also need it to add baby to your health insurance plan.

You can apply for a number when you apply for your baby's birth certificate in the hospital.