

Having a Baby? Here's how to re-adjust your finances.

Ah, the joys of having a baby. Regardless if it's your first or not, he or she will certainly bring additional happiness into your life. There's so much to think about when you decide to have a baby. One key component that is often overlooked is the financial side of how it will affect your lifestyle. Here are tips on how to be financially ready for your bundle of joy:

How do I set or adjust my budget to provide for the new addition to our family?

Budgeting is the most useful tool in determining what you need and what you should change. A budget helps you control your spending because it obliges you to match your actual expenditures against your planned estimates for various expenses during a particular period. You can see at a glance where your monthly income is used and whether you are spending more than needed or planned on certain items.

Use your budget not only for the present but for financial planning for your future. By looking at what you expect to still have available after expenses, you may plan how to get maximum benefit from these dollars and improve your financial wellbeing.

Start by listing your household income and all expenses. It's important to detail miscellaneous expenses. This is the most likely area from which the majority of income will be converted to expenses associated with your new bundle of joy.

For a period of three months, use a journal daily to record the item and amount each time you disburse money. This should give you a good "snapshot" of your monthly cash outlays.

Maternity and Parental Leave

Maternity leave is designed to give expectant mothers the possibility of withdrawing from work in the later stages of their pregnancy and to allow them some time to recuperate after childbirth. Parental leave is designed to provide either or both parents with time to spend with their newborns. For the mother, parental leave provisions commonly stipulate that the leave be taken immediately after maternity leave, thereby extending the total leave period. For the father, parental leave provisions allow time off to help with the care of the newborn. However, this period should be planned out carefully as household income could potentially be reduced significantly.

To be eligible for maternity leave, female employees must usually meet a number of requirements and conditions. For full details, visit:

http://www.hrsdc.gc.ca/en/lp/spila/wlb/wfp/11Maternity_Leave.shtml.

To eliminate or at least ease any adverse financial impact on pregnant employees when they take a leave of absence some companies may provide maternity allowances to replace lost earnings.

EI maternity benefits usually cover 55% of a claimant's weekly insurable earnings, to a maximum of \$413 per week. A total of fifteen weeks of maternity benefits are allowed.

Because income will most likely be reduced, take advantage of your current 100% income to purchase those necessities that you know you will need but do not expect to receive from others, as gifts for example.

How can I lower my payments while on maternity or parental leave?

There are many ways of cutting down your expenses while on maternity or parental leave, here are a few:

If you are carrying balances on high interest rate credit cards, paying high interest rates on loans from finance companies or if you have more than one loan payment every month, you can consolidate all of your debts into one loan at OMISTA Credit Union. You'll reduce your total monthly payments, free up cash flow, and a larger amount of your payment will be applied against the loan balance.

There are also several types of products offered at your financial institution that will allow you to take advantage of the equity in your home to generate extra cash. For example, OMISTA Credit Union offers a Blanket Mortgage which gives you access to up to 75% of the value of your home to finance your personal borrowing. If you choose, you may have a loan, line of credit, or other product all under one borrowing plan. Think of it as a blanket wrapped around all of your lending needs, under one credit limit, and secured by the equity in your home.

And you can set your own repayment plan. You may attach a fixed rate to some portions and a variable rate as low as Prime to others. You can even take up to 25 years to repay. This is an excellent option if you think you might need some additional funds after you have your baby.

Am I eligible for any additional tax credits?

The Canada Child Tax Benefit (CCTB) provides annual financial assistance to families with children. It has two key components: the CCTB base benefit and the National Child Benefit (NCB) supplement. As of July 2001, the maximum CCTB benefits is \$2,372 for the first child and \$2,172 for each subsequent child. Consult the Department of Finance's Canada Child Tax Benefit: Update pamphlet for more information and the Canada Customs and Revenue Agency Canada Child Tax Benefit page to find out how to qualify.

How do I financially prepare for my baby's future?

The key to preparing for your baby's future is establishing a plan that includes the necessary tools to help you reach your goals. To do so, it is highly advisable to seek out a financial advisor. When it comes to investing for your family's future current statistics tell us that more people than ever (73% of investors) are using advisors for all or some of their investment decisions. This individual will work with you to determine your family goals, evaluate your current situation and present you with options on how to reach your goals.

How do I plan for my child's education?

Start investing in a Registered Education Savings Plan (RESP) today so your child won't be burdened with a large student loan when he/she finishes school. An RESP is a registered savings vehicle, generally used by parents, to save for their children's post-secondary education. An RESP allows you to accumulate investment income on a tax-sheltered basis. In fact, to encourage parents to save for their children's education, the Federal Government created the Canada Education Savings (CES) Grant Program. With the minimum RESP contribution of \$25/month or \$300/year,

this Grant provides up to an extra 20% in addition to your annual RESP contributions. There is a special type of RESP available through OMISTA's Investment Specialist, Ozzie Mackay, and select other companies, that offers an additional bonus. It can mean up to 15% more in the RESP by the time your child is ready to start his/her post-secondary education.

What kind of insurance do I need?

This of course, depends on the family situation and goals. That's why it's crucial that you meet with an insurance specialist. An insurance specialist can provide you with options relating to different types of insurance, such as term or whole life, that fit with your goals. To make an insurance plan that meets your needs and objectives, meet with an insurance specialist such as Mr. MacKay. He may be contacted at (506) 858-7909. An insurance specialist can tell you more about your options and design the most cost effective plan for you.

For more information on any topic covered in this column, please contact us at any of our three Moncton branches or visit www.omista.com.