

## Starting a family?



**A new addition can have a big impact on your finances. Help get financially ready with these five strategies.**

**MANY PARENTS EXPERIENCE A MOMENT** when hope becomes reality. It may happen when you see the flicker of a heartbeat on an ultrasound screen. It may come when you get that long-awaited call from the adoption agency. You may feel it holding your child in your arms for the very first time. Whenever and however it comes, that reality can make your head spin.

How much will your life change? Do you have room in your home for the new member of your family? Have you properly childproofed the house? How much time should you take off work? With such a dizzying array of things to think about, it's not surprising that financial planning is often sidelined.

Yet starting a family can make financial planning more important than ever. Children are small, but they grow quickly and their many needs change constantly. Throughout the phases of your child's life, the family budget may have to absorb everything from child care to camp, strollers to sports equipment, and storybooks to post-secondary education.

A recent estimate put the average cost of raising a child from birth to age 18 in Canada at more than \$250,000.<sup>1</sup> Fortunately, some simple financial planning can help you be prepared.

### Where will the money come from?

For many families, income may drop for a time after a new child arrives as one or both parents take time off work. Government programs can help to some extent.

You may be entitled to taxable maternity, paternity or parental benefits, administered through the federal Employment Insurance program or the Quebec Parental Insurance Plan.<sup>2</sup> These programs pay a portion of average insurable weekly earnings up to a set maximum. In addition to these benefits, you may receive the non-taxable Canada Child Benefit from birth until a child turns 18. It is based on the number of children in the family and family income.

Some organizations top up their employees' government benefits while they are on maternity and/or parental leave, to make up some or all of the difference from their salary. Questions to ask your human resources department include:<sup>3</sup>

<sup>1</sup> [www.moneysense.ca/save/financial-planning/the-real-cost-of-raising-a-child](http://www.moneysense.ca/save/financial-planning/the-real-cost-of-raising-a-child)

<sup>2</sup> [www.esdc.gc.ca/en/ei/maternity\\_parental/index.page](http://www.esdc.gc.ca/en/ei/maternity_parental/index.page); [www.rqap.gouv.qc.ca/index\\_en.asp](http://www.rqap.gouv.qc.ca/index_en.asp)

<sup>3</sup> [www.fcac-acfc.gc.ca/Eng/forConsumers/lifeEvents/havingChildren/Pages/Maternit-Congeaqu.aspx](http://www.fcac-acfc.gc.ca/Eng/forConsumers/lifeEvents/havingChildren/Pages/Maternit-Congeaqu.aspx)

- Am I entitled to a top-up benefit?
- If so, what's the amount? How long will you pay it? Will you withhold income tax?
- Can I use vacation days and sick days to extend my paid time off?

If both parents qualify for a top-up for a period of time, you can consider splitting parental leave to get more weeks with a topped-up income.

Any other money needed to take time off with a child and cover the myriad associated costs will have to come from your savings, emergency fund or extended family.

### Five financial planning strategies for expectant parents

If you're planning to start a family or are celebrating a new pregnancy, there are strategies you can use to strengthen your financial position after your child arrives.

#### 1. Practise living on a reduced income

Living on less income can be difficult enough without throwing in the extra expenses a child can bring. Calculate what you can expect to get from government programs and employer top-ups, and try living on that amount while you're still working. Stash what's left over in a dedicated fund for the costs associated with raising a child, or put it towards repaying debt.

#### 2. Keep your retirement plans on track

Your employer may allow you to keep contributing to your workplace retirement plan throughout your leave. Especially if your employer provides a matching contribution, try to continue to make those contributions even if you have to reduce the amount. If you usually contribute to a personal Registered Retirement Savings Plan (RRSP), consider contributing to a Tax-Free Savings Account (TFSA) instead while your income is lower and the tax deduction for RRSP

contributions isn't as valuable. However you prefer to save for the future, it's important to keep up the momentum.

#### 3. Maintain your health and dental coverage

You may be able to maintain your existing health and dental benefits while you're on leave – get the details from your human resources department. If you can't, or if you don't have benefits, consider private health and dental insurance to protect yourself and your family. Should one of you need dental work, prescription drugs or physiotherapy, it's comforting to know you're covered.

#### 4. Protect your family with insurance and an up-to-date will

A dependant is just that – someone who depends on you. But what if you're not able to care for your child? Consider life, disability and critical illness insurance to help protect your family's lifestyle, and update your will to include a guardian and trustee).

#### 5. Start thinking about post-secondary education

It's never too early to start thinking about post-secondary education costs. As soon as you have your child's social insurance number, you can open a Registered Education Savings Plan (RESP) that establishes a dedicated funding pool for your child's education. The government matches 20 per cent of your contributions, up to a maximum of \$500 per year and up to a lifetime maximum of \$7,200 per child.<sup>4</sup> A child is eligible until the end of the year he or she turns 17 (some conditions apply for children age 15 and older).

### Speak with your advisor

You're about to embark on the adventure of a lifetime. There's a lot you can't predict. But a well-thought-out, flexible financial plan can help minimize money stress so you can enjoy every moment. Speak with your advisor about how to plan financially for your growing family. ■

<sup>4</sup> [www.cra-arc.gc.ca/tx/ndvdl/tpcs/resp-reeee/cesp-pcee/csg-eng.html](http://www.cra-arc.gc.ca/tx/ndvdl/tpcs/resp-reeee/cesp-pcee/csg-eng.html)



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