

ENJOYING THE RIDE: PREPARING FINANCIALLY FOR YOUR GROWING FAMILY



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Preparing for your first child is an exciting, albeit daunting task. Parents often find themselves putting together a crib, painting the nursery, and even prewashing clothes.

Some people have baby showers or gender reveals.

Preparing for a second child, on the other hand, gave me enough time to sit down and write this article. By the second child, you have hopefully learned some things about being a parent. Things you maybe could not have prepared for earlier. Armed with this new information, the crib and the color of the nursery don't seem as important. Since I'm only two years into parenting, I'll hold off on my parenting tips, but I will walk you through the different financial decisions we've made for our family as we've grown.

Budget. If you don't already have one, start one. The budget doesn't have to be perfect, but it should account for regular and expected payments like mortgages, rent, and utilities, and should have flexibility for variable purchases like groceries. I also like to tell people to budget to save. This means to make savings an expense in your budget.

Establish or fund an emergency savings fund. Most investment planners encourage people to allocate between three- and six-months worth of living expenses to a high yield savings account. If you are growing your family, make it six months, you'll sleep better (and yes, eventually you will sleep again).

Ensure that you have enough life and disability insurance coverage for you and your spouse. It's silly, but, remember, children are dependents, and you are who they depend on for income for the first 18 years (at least) of their lives. Be careful not to over insure as insurance can be expensive.

Estate planning should also be considered, whether it's a will, trust, or even power of attorney, you and your spouse should formalize legal documents for your family. Consult with a local estate attorney or work with your financial advisor or tax preparer to be introduced to an attorney who specializes in estate planning. Do these things before the baby gets here!

There are also a few things you can only do after the baby is born. Open a 529, if you are able, especially with the new rules as it relates to rolling unused funds to a Roth IRA. If the child does not use the funds, they may be able to continue to grow tax free to potentially be used in retirement. Another account to potentially open is a UGMA/UTMA account. This account essentially allows parents to invest funds for children that have

different, and often lesser, tax consequences. These accounts would be most attractive to those who want to save for children's weddings, a car, a future down payment, etc.

By the time you read this, my second child will be here. The nursery still won't be painted, and we haven't even ordered a crib. But you can bet that everything else I mentioned is already taken care of. Now I can enjoy the ride, even if I'm hauling two boys in my bike trailer!

Please consider the investment objectives, risks, charges and expenses carefully before investing in a 529 savings plan. The official statement, which contains this and other information, can be obtained by calling your financial advisor. Read it carefully before you invest.

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