

Growing Your Family

Podcast Episode #1 for January 2022 – Host + One Guest

[Host]

Hello everyone, thank you for joining us for a new podcast episode For Her. My name is _____, and I'll be your host for today's segment. In this episode, we will be discussing financial preparations as it relates to growing your family. Whether you are a new parent, or are considering having a baby, this episode is for you. Today, I am so excited to welcome _____, who is _____. Thank you for joining us _____!

[Name]

Thank you for having me!

[Host]

Preparing for a baby isn't just the cute tiny clothes or the heart-warming ultrasound photos; it involves a lot of financial preparation. As I'm sure everyone can relate to – our family and friends love to give advice as soon as they hear you're having a baby or thinking of having a baby; but that advice hardly ever mentions anything about our finances.

They will tell us how to manage mood swings, the crying, how to swaddle a baby, but the cost of growing a family is never a topic that is discussed openly.

[Name]

That is so true. My favorite is how we get advice on how to lose weight after our baby, but you are right, believe it or not, the cost of diapers, bottles, formulas and other baby requirements can add up quickly – not to mention pre-natal care and doctor appointments for your little one.

You know, we believe that a baby is a gift from God, it's a blessing upon our household and though we all still believe this, now a days, there is a lot more planning happening before couples begin to build a family. And as you focus on new priorities, your budget will naturally shift too. For example, while you and your partner may not have as much time for recreational activities or dining out, funds can be shifted to cover newfound priorities of caring for your child.

[Host]

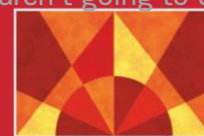
So _____, where should we start?

[Name]

Well, some parenting preparations are best learned on the fly — how to effortlessly and painlessly change the messiest diapers, for instance. But we aren't going to discuss these things. Our focus is on the financial preparations.

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But the list of things to do before baby arrives and within his or her first several weeks is lengthy, so tackling certain tasks now is a smart idea & thus this brings me to the first stage of planning - PRE-DELIVERY PLANNING which involves securing life insurance, budgeting and clearing debt.

[Host]

Interesting that life insurance is on the top of your list here.

[Name]

Absolutely. The parts of financial planning that require you to consider what life would be like for your loved ones without you are no fun, especially when you're still young and have just started to grow your family. However, it is crucially important to tackle them, sooner rather than later. One of these tasks is getting a term life insurance, here I have avoided reference to cash-value policies like whole life, variable life, and universal life as they are quite complicated and may not be affordable for many young couples – but definitely something to consider. But start with term to get something in place quickly.

Term insurance essentially exists to protect your loved ones against the loss of your income if you die and to cover any major debt and provide a financial cushion until the other spouse can land on their feet. Typically, insurance providers calculate your “human life value” as a multiple of your salary and years you have left to work (or a percentage of what your partner earns if you stay at home). The human life value can act as a guide to find the right level of coverage to replace your financial contribution to your family. Premium costs depend on your age, health and lifestyle.

Well, the other thought that often tends to bother people while tackling with insurances is- which member should be the beholder. My advice would be, that both parents should do this individually to ensure all bases have been covered. If both parents work, it will probably make the most sense for the one who earns the most money to buy the bigger policy. The whole point of buying life insurance is so that your family would be able to make up for your lost income in your absence. That being said, if one parent is a stay-at-home mom/dad, which is a job all on its own, that doesn't mean they shouldn't buy life insurance. Childcare can be extremely expensive so your family should also be prepared to cover those costs.

For those of you who have a pre- existing life insurance, I would suggest updating it and ensuring that it is inclusive of your current requirements, particularly pertaining to minimal medical assistance for your child.

One of the largest one-time expenses can be the cost of delivering your child, with cost varying based on the type of birth and location of the delivery. In the excitement of bringing your child home, it may be easy to overlook this expense. Thus, it is best to plan for this beforehand and thereby vital to corroborate its inclusivity in insurance.

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Fortunately, Under the Affordable Care Act (ACA), maternity care and childbirth are considered essential health benefits. That means ACA health insurance providers can't refuse you coverage because you're pregnant.

On the plus side, some insurance plans cover additional services you might not expect, such as lactation consultant visits. While on the other hand, some insurance plans might still leave you high and dry with pre-natal care and delivery cost due to lack of coverage and so that is why time and again, I tend to lay emphasis on cross-verification of your terms which the providers.

[Host]

That's a lot of information on insurance that I'm sure is very new and foreign to many of our listeners. How can they be prepared or check for the right provisions in their insurance policy?

[Name]

My first recommendation is always to speak to a professional who can help you put the right plan together. But I agree, many of us struggle with the dilemma of addressing the right questions to ensure we are covering off important aspects. Some questions I would recommend asking your insurance agent or company are:

- What are my copays for prenatal visits and other services?
- What is covered under my policy's prenatal care?
- What is my deductible?
- How is my deductible applied?
- Does my plan cover a hospital or NICU stay?
- Does my policy cover additional providers at the hospital, such as the anesthesiologist on staff?
- Does my policy cover a home birth or midwife services?
- Does my plan cover services such as a doula or lactation consultant?
- How do I add my baby to my health insurance plan?
- Does my policy cover equipment such as breast pumps?
- What breast pumps does my insurance plan offer? How do I get one?
- Does my plan cover chiropractic services, acupuncture or prenatal massage? Do I need any documentation (like a note from my OB-GYN) to get coverage for these services?
- What mental health services do you cover? Can you send me a list of mental health professionals in my area that accept this insurance?

[Host]

Amazing, that is very helpful! Now what's after life insurance?

[Name]

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Another planning aspect is the need to **plan for maternity/paternity leave**. It reckons you to map out how much time you and your partner will get off work and whether or not you will be paid during that period. This can significantly impact your household finances in the coming year. Understand your company's policies and your state's laws to get an accurate picture of how your maternity leave will affect your bottom-line aka learn about paid leaves and special schemes available. This is vital information.

Now, this is specific to your own employer, but based on my research, if you've worked at least 1,250 hours for your employer, held your position for at least 12 months and your company has at least 50 employees, you're eligible for a leave of absence from your job for designated family and medical reasons through the Family and Medical Leave Act (FMLA). Again, I have to stress, check these numbers against your employer's policies. If your job doesn't fall under FMLA guidelines, you may need to explore a combination of sick days, vacation days or disability insurance offerings to provide income while you take time away from work to welcome the newest member to the family.

Once you have these things cleared up, then you can get into budgeting and paying down your debt and determining how much you can afford on baby expenses.

[Host]

It's always great to begin a new chapter of life with a clean slate, if and when possible of course. How would you know if you're on the right track?

[Name]

Well, two things. One, you're not having to drain your savings to pay debt, and you're ready to cover an emergency if it arises. And second, you're not taking on debt to pay other debt, meaning you're not paying utility bills late while you try to lower your credit card balance or using your credit card itself to pay utility bills.

Whether or not you're aiming to pay down your credit card or other debt, pay at least the minimum balance on time - realistically, you should only charge your card for what you can pay off within that month, but if you find yourself behind, pay that minimum balance each billing period to avoid harming your credit. Once you know how you're going to manage these aspects, then you can figure out how much you need to save to support a baby financially. A simple rule of thumb is to determine your budget for baby supplies, add the amount you need to cover for any maternity or paternity leave, and divide that figure by the number of months until the baby arrives.

[Host]

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I just want to jump in here on the paying debt off topic. Recently, I had a friend tell me they were paying off their minimum balance on their credit card as they have fallen behind, but their credit was still negatively impacted. There was an error on her bill and slipped into her credit report. So, save time and aggravation by looking at your statements and correcting mistakes now, when your life is relatively sane. Having a strong credit score is important when you're a parent-to-be and potentially looking into big purchases such as a home or a car in the near future.

[Name]

Very good point _____, having a high credit score can help you lock in the best interest rate on a car loan or mortgage. You can simply order your credit report from website of the credit card company or perhaps the bank of concern. You can also request a hard copy from the concerned authorities. The point is, a no sweat task like this can avert crisis later at a time of need.

[Host]

Thank you, your discussion on credit card just reminded me of this situation. So getting back to baby budgeting...

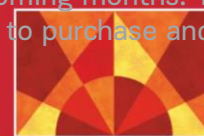
[Name]

Yes, another crucial aspect of this stage is **establishing an emergency fund**. If you don't already have a "rainy day fund," now's the time to anticipate some emergencies, for instance, having to purchase formula when breastfeeding isn't working, a trip to the ER in the middle of the night, or extra pediatrician visits and medicine. Even after your child is home, mind that kids are accident prone, and with the cost of raising a child there's no telling if you'll have the disposable income to pay for any unexpected expenses. Remember amongst it all, it's equally as important to prepare for the worst, while not neglecting other financial obligations, such as paying down debt, buying life insurance, and participating in your employer's 401(k) match if offered.

Next up, we need a **pre-baby budget**. You can keep receipts and take notes on your phone, or in a spreadsheet. When the time comes to crunch the numbers, this careful tracking will help you determine your family's spending patterns so you can identify areas you might need to cut back on when the baby arrives. Once you know what you'll be spending on out-of-pocket for medical costs, understand how your income will be impacted in the coming months. There are endless gadgets and gizmos that you as new parents will be tempted to purchase and thus will thin

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that they will make your lives easier, but it's impossible to predict what your baby will like. Instead of buying these new, you always have the opportunity to first ask friends and family who recently had children if you can take these items off their hands, things like a swing, jumper or bassinet. In short, set a limit on both necessary and optional buys (like that designer diaper bag or high-end stroller with the LCD control panel), and consider buying used to keep spending under control.

Also, make a note that if either you or your spouse are considering to take an unpaid job hiatus to care for the baby, or you're receiving a portion of your income in short-term disability payments, factor that in your budget planning as it may be time to cut back on some non-essential expenses. Now, the ever-ending war between need and want has no barriers but it would be beneficial to curb it for a while.

[Host]

What if a pregnant mother has to go into the hospital early, or has been told to bed rest prior to the baby's planned arrival?

[Name]

Yes, great point. These should be marked as emergencies. It's not uncommon to visit the hospital a few times prior to delivery – it may feel like the baby is coming, but then the hospital does some checks and sends us back home. But this all has a cost. And, if you're unfortunately having a difficult or risky pregnancy, the doctor may suggest bed rest, meaning you may need to leave your employment weeks, and sometimes months before the actual due date. These emergencies should be planned for, just in case.

Now after all this hard work and preparation comes the next stage, which is perhaps the perfect blend of excitement and responsibility - THE ARRIVAL STAGE.

The main focus while you're in the hospital is having a healthy baby. But there are a few loose ends that will need to be taken care of such as **birth certificate and Aadhar card**.

You should receive a birth certificate form to complete at the hospital. Make sure you give it to the nurse before discharge to avoid administrative headaches and possible late fees. If you have a home birth, your midwife or birth attendant may have the forms for you. If not, ask your pediatrician when you bring your newborn in for an exam in the first few days after birth.

You can apply for your baby's Aadhar card too. Aadhaar card can be generated for all children below 5 years including new-born. No biometrics of the child is taken in this case however, once the child is five years old, the child will need to provide the biometric data of all 10 fingers and iris scan. For more details and registration process, you can go to unique Identification Authority of India's (UIDAI) website. Although it's not a compulsion to fulfill this criterion at birth but essential nonetheless, as an Aadhaar card exclusively entitles a universal identity to every Indian resident.

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Other than this, speaking of the possibility that if your hospital bill comes back higher than you expected, then you should keep in mind that you have the right to request an itemized bill so you can check each expense. You can rightfully dispute discrepancies in terms of any charges you disagree with legally.

This is followed by the third and the most prolonged stage- THE POST BIRTH STAGE. This stage requires several actions and is a life-long exercise. Things like updating beneficiaries, opening a savings account, saving for higher education funds, all while keeping your financial goals in progression like saving for retirement.

One of the key acts to be undertaken post-delivery is that of **setting a saving account**. Setting up a separate savings account can help you set aside money for baby essentials. You may also consider putting funds into a Money Market Account or Certificate of Deposit (CD) to grow your money and avoid the temptation to spend the funds.

I do understand your ever looming predicament of opting for the appropriate account amongst an array of available choices. So, I have two suggestions.

The first is an HSA which can help you save money to pay for qualified medical expenses for you and your child. Withdrawals used to pay for these qualified expenses are tax-free. Another perk is that HSAs may include investment options, and employers may contribute to the account as part of the company's benefits package. Additionally, unused balances can be carried over from year to year and continue to grow on a tax-free basis, even if you change employers.

The other is an FSA. As a new parent, one of the greatest advantages of an FSA is the ability to pay for childcare expenses. Consider setting up an FSA, a pre-tax account sponsored by an employer, if one is available to you. Unlike an HSA, FSA funds do not carry over as an investment option year after year. If funds are not used by year end, you will lose them.

[Host]

And if I may add, as a new parent, your days will look a little different so it's important to automate various aspects of your finances where possible.

[Name]

Yes, there are a number of online and mobile banking tools like Bill Pay and efficient payment services like Paytm to track your expenses and pay the bills. These tools allow you to multi-task and manage your money when and where it's convenient for you.

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This is followed by yet another crucial step in the process of nurturing & securing a baby- **designating beneficiaries & initiate a will** and adding your child to your health insurance plan.

Create and update these essential documents.

- Powers of attorney- This designation allows a designated family member or friend, or your attorney to make decisions and take actions on your behalf, should you become incapable to do so.
- Health care proxy- Determine who will act on your behalf if you become unable to communicate your wishes.
- Beneficiary designations- Designate heirs for accounts not covered in a will.
- Trust documentation- Your attorney can help you determine if setting up a trust for your child makes sense for your particular familial and financial circumstances.

Let's not forget to include your child in the insurance plan. You typically have only 30 days after your child's birth to add him or her to the plan, or you'll forfeit coverage. The same generally holds true when you add a child to your family via adoption. You can backdate the coverage to include your child's birth, so the hospital stay and all eligible care received by your baby should be covered. It's important to check with your health insurance plan and make sure you understand what you need to do and when to ensure your child has health insurance from day one.

With only 18 years to go, there's no time like today to get started on a college savings plan so I would suggest either creating a college fund or perhaps adding it in a different compartment within an existing savings account.

With nappies to change and breathing exercises to practice, your early parenthood months is not the obvious time to be **saving for retirement**—but it is an important goal to prioritize nonetheless. This includes buying retirement schemes such as NPS, this is a voluntary retirement scheme available to all Indian citizens between the age of 18 and 65 years. Further, you can start a NPS even at the age of 60 and continue to contribute till you reach 70. On turning 60, you can withdraw 60% of the fund, either at once or in a phased manner from the retirement account. The balance amount is used to buy annuity.

Unit linked insurance plans (ULIPs) is another option, thereby allowing you to have a robust retirement plan as it provides the triple benefit of insurance protection, wealth generation and tax savings.

This was just a glimpse at what retirement planning may look like. For more extensive info, come back again for another episode fully dedicated to this cause.

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As for the baby's financial planning, well, I know it's a lot to take in one go & therefore, can be overwhelming especially when the most mentally prepared you have been in regard to child care is how to keep baby from crying but don't worry you have got this!

[Host]

_____, I want to thank you so much for joining us and sharing your time and knowledge, this is a great starting point for all women who are considering having a baby or are in the process of growing their family, pr perhaps just had one, if so congratulations!

Thank you again _____!

[Name]

My pleasure, thank you for having me.

[Host]

Thank you so much to all those listening in, we hope everyone learnt something today, and we look forward to having you join us at our next episode.

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