

FINANCIAL INSIGHTS BLOG

BUDGETING | SAVING & INVESTING | THE ECONOMY

The Impact of Children on Your Financial Plan

Having children represents an important milestone for many families. However, expanding the family unit can significantly affect household finances. In light of rising expenses associated with child-rearing, many couples are choosing to postpone parenthood. According to a 2022 study from The Brookings Institution, a middle-income family can expect to spend approximately \$310,605 to raise one child born in 2015 through age seventeen, excluding the costs of higher education. Given the elevated cost of living in The Bahamas, this expenditure is likely considerably greater. Developing a clear understanding of your financial goals and planning proactively is essential when welcoming new members into the family. This blog will outline the primary expenses related to raising children, along with practical strategies for managing these financial commitments.

Some of the major expenses associated with raising children include:

1. Housing
2. Childcare & Education
3. Groceries
4. Health Care

Housing

Housing expenses may include mortgage or rent payments, household maintenance, utilities, furniture, appliances, and property taxes. Generally, families who expand move to larger spaces featuring more rooms, increased yard size, or bigger common areas. Moving to a larger residence can result in higher costs, particularly for maintenance. There are various ways to reduce these expenses. Options such as townhouses or condominiums are available, and some choose those in gated communities that offer amenities like playgrounds, pools, and clubhouses, which allow for shared



expenses among residents. For families with multiple children, sharing rooms might reduce overall housing costs.

When financing a new home, it is important to carefully research options. Comparing financial institutions for the most favorable terms may lead to lower loan payments if a lower rate is obtained. Additionally, prospective buyers should explore first-time homeownership exemptions on stamp duties or property taxes, where applicable.

Childcare & Education

Childcare expenses for working parents can differ based on factors such as the number of children, their ages, and parents' work schedules. The costs associated with options like daycare or hiring a nanny have risen in recent years. As a result, some parents may rely on family members such as grandparents, aunts or uncles to assist with childcare. If assistance from family is not available, sharing the cost of a nanny with another family may be considered. Compare different childcare options and evaluate their respective advantages and disadvantages.

Providing children with a quality education is among the most valuable investments parents can make

in their future. Equipping young persons with the knowledge and skills necessary for success is essential. However, educational expenses can be significant, and planning ahead is key to manage these costs effectively.

When selecting a school for your children, ensure that the fees are within your budget. Avoid taking on debt to pay for your child's education. Consider saving for school fees throughout the year rather than waiting until the deadline approaches. If private school is not within your budget, there are reputable public schools available as alternatives.

Start saving for your children's college education as early as possible. CFAL offers a CFAL Education Plan to help you prepare financially for primary, secondary or tertiary schooling.

Groceries

Caring for children can be costly, especially with recurring expenses like formula, diapers and wipes in the early years. Purchasing items in bulk can help with cost savings. As children get older, supplying healthy meals can increase overall expenses. Sourcing fresh fruits and vegetables from farmers markets and buying snacks and toiletries in bulk can help with managing costs effectively.

Healthcare

Healthcare costs typically rise once expectant mothers begin prenatal care. Delivering in a private hospital may also incur significant expenses, especially in the absence of insurance coverage. After childbirth, families often face additional costs related to pediatric visits, medications and vaccinations. Insurance becomes essential when having kids due to the increased frequency of doctor visits. If private insurance is not an option, consider specialized plans offered by clinics or National Health Insurance.

After having children, it is important to establish an emergency fund as children are more susceptible to

illnesses and medical emergencies. Maintaining an emergency fund minimizes the reliance on credit cards for healthcare payments.

Financial Checklist

Becoming a parent introduces new responsibilities and challenges. Having financial flexibility and making sacrifices become increasingly important after having kids. The following financial strategies can assist in effectively managing your finances as a parent.

1. Create a Budget.
2. Create an Emergency Fund.
3. Start a College Education Plan.
4. Create an Estate Plan (Life Insurance, Wills or Trusts).

Additionally, it is important not to overlook your personal financial objectives, such as retirement savings. While children tend to become the central focus, securing your own financial future remains equally significant.

CFAL is here to help.

If you need additional help, feel free to reach out to us for a Financial Planning Session. Our Certified Financial Planners are here to assist you with your budgeting, saving, and investing needs.

T: (242) 502-7010 | E: info@cfal.com | W: www.cfal.com

Follow us on social media for additional tips and insights.