

Financially Empowered New Parents

Financial Lessons for Parents with (or Expecting) Their First Child

Student Handout

Series: Financially Empowered (Part 4)
Webinar & Materials available at:

www.DebtReductionServices.org/Education/Webinars



Financially Empowered New Parents Workbook

by Debt Reduction Services Inc

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Student Workbook for
Financially Empowered New Parents

Financial Lessons for Parents with (or
Expecting) Their First Child

Part 4 of the Financially Empowered Series

By Debt Reduction Services, Inc.
Boise, ID

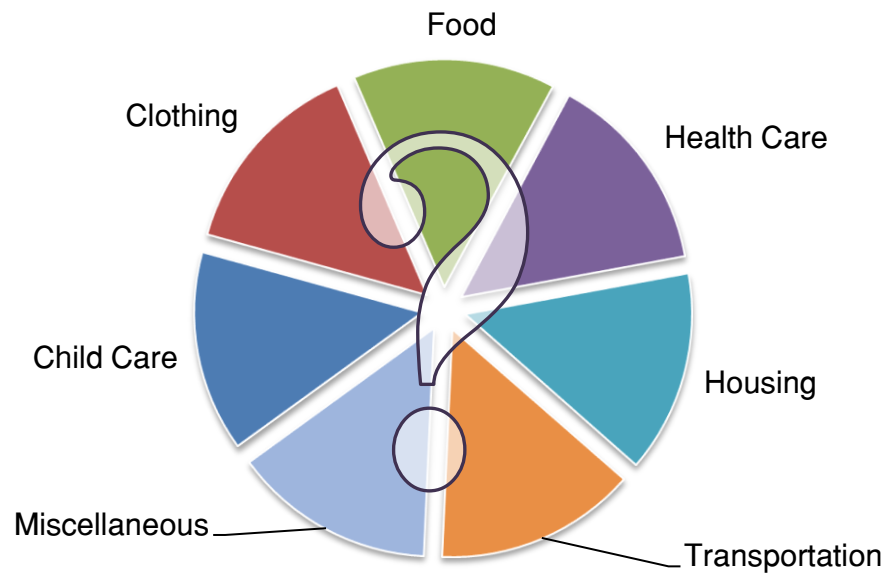


Serving Up Baby's Financial Pie

Babies impact the financial lives of their parents in both dramatic and subtle ways. Below are seven household expenses that are impacted by having a baby.

1. Under the "Rank" column, indicate where in your financial life your baby has the most impact ("1") down to the expense where he or she has the least impact ("7").
2. Under the "Portion" column, estimate how much of the total financial impact is accounted for by each expense category (e.g. "20% of the baby's impact is in the food category").

Baby's Financial Impact Pie



Category	Rank (1-7)	Portion (%)
<u>Child Care</u> : Day Care, Babysitting, Private education		%
<u>Clothing</u> : Apparel, diapers, shoes, etc...		%
<u>Food</u> : Groceries, dining out and school meals		%
<u>Health Care</u> : Medical, dental and mental health		%
<u>Housing</u> : Costs of shelter, utilities & furnishings		%
<u>Transportation</u> : Vehicle payments, gasoline, maintenance, repairs, insurance		%
<u>Miscellaneous</u> : Personal care, recreation, entertainment, leisure, etc...		%

Connecting Common Purchases to Future Goals

Use the following activity to compare the costs of child-related expenses with your future goals.

1. In the left-hand column, estimate how much you believe each child-related expense would cost.
2. In the “Connect to Equal Value” space, draw lines from the child-related expenses on the left to the goals on the right that you believe are of equivalent value (e.g. a crib that converts into a daybed might equate to a piece of furniture for your living room).

Child-related Expenses	Estimated Expense	Connect to Equal Value	Goals
1. Brand Name/Designer Clothing Ages 0-18	\$	▶	◀ A. Average American Retirement Account
2. Childcare at Daycare Center for 3 years	\$	▶	◀ B. Baby Swimming Lessons
3. Childcare at Home-based Care Giver for 3 years	\$	▶	◀ C. College Savings Account (4 years of expenses)
4. Childcare from Au Pair for 3 years	\$	▶	◀ D. Down Payment on a New Home
5. Designer High Chair	\$	▶	◀ E. Emergency Savings of 6 Months worth of Expenses
6. Home Nursery Makeover	\$	▶	◀ F. One Week Family Vacation to Disney World
7. Jogging Stroller	\$	▶	◀ G. One year of Median Household Income in the US
8. Monthly 3D Ultrasound Photos	\$	▶	◀ H. Organized sports for one year
9. New SUV to Carry the Baby and his/her Stuff	\$	▶	◀ I. Rocker/Recliner
10. Private School Education for 9 years (K-8)	\$	▶	◀ J. Start up Costs for Your Own Business

Note: It is critical to understand that overspending on baby today have an even greater impact on your future goals than this activity implies. Every dollar that a 30-year old parent overspends on his or her new baby today is \$12 that the parent will not have at retirement age since he or she could have invested that \$1 in a simple index mutual fund earning 8% annual returns.

Assembling Long-term Priorities Quadrants

Starting with the list below, answer the following questions and then indicate with their corresponding number where they belong in the corresponding quadrants below.

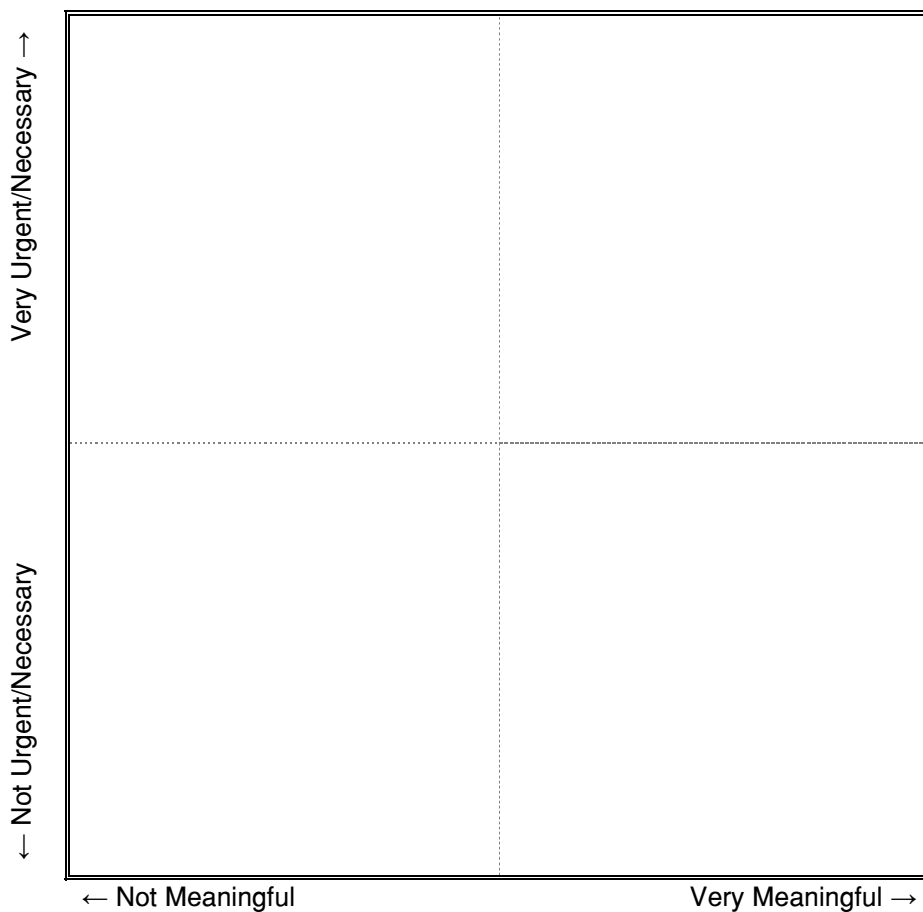
3. How meaningful is accomplishing or achieving the long-term goal to you (and your spouse if married)?
4. How urgent/necessary is accomplishing or achieving the long-term goal to you (and your spouse if married)?

Possible Long-term Priorities

1. Baby's College Fund
2. Emergency Savings (see below)
3. Family Vacations

4. New Home
5. New Vehicle
6. Starting a Business
7. Vacation Home

8. Your Baby's Retirement
9. Your Retirement
10. Other: _____
11. Other: _____





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Establishing Your Financial Framework

5. Add to the list below any additional financial goals that are meaningful and urgent to you.
6. Write the goals on the foundation and framework of your financial house, placing the most important below and moving up from there. You do NOT need to add all priorities listed below, but rather just those that you want as part of the framework of your financial home.
7. Feel free to add boxes anywhere on the house in order to match your own personal financial framework.

Possible Long-term Priorities (Building Blocks)

- 12. Baby's College Fund
- 13. Emergency Savings
(see below)
- 14. Family Vacations

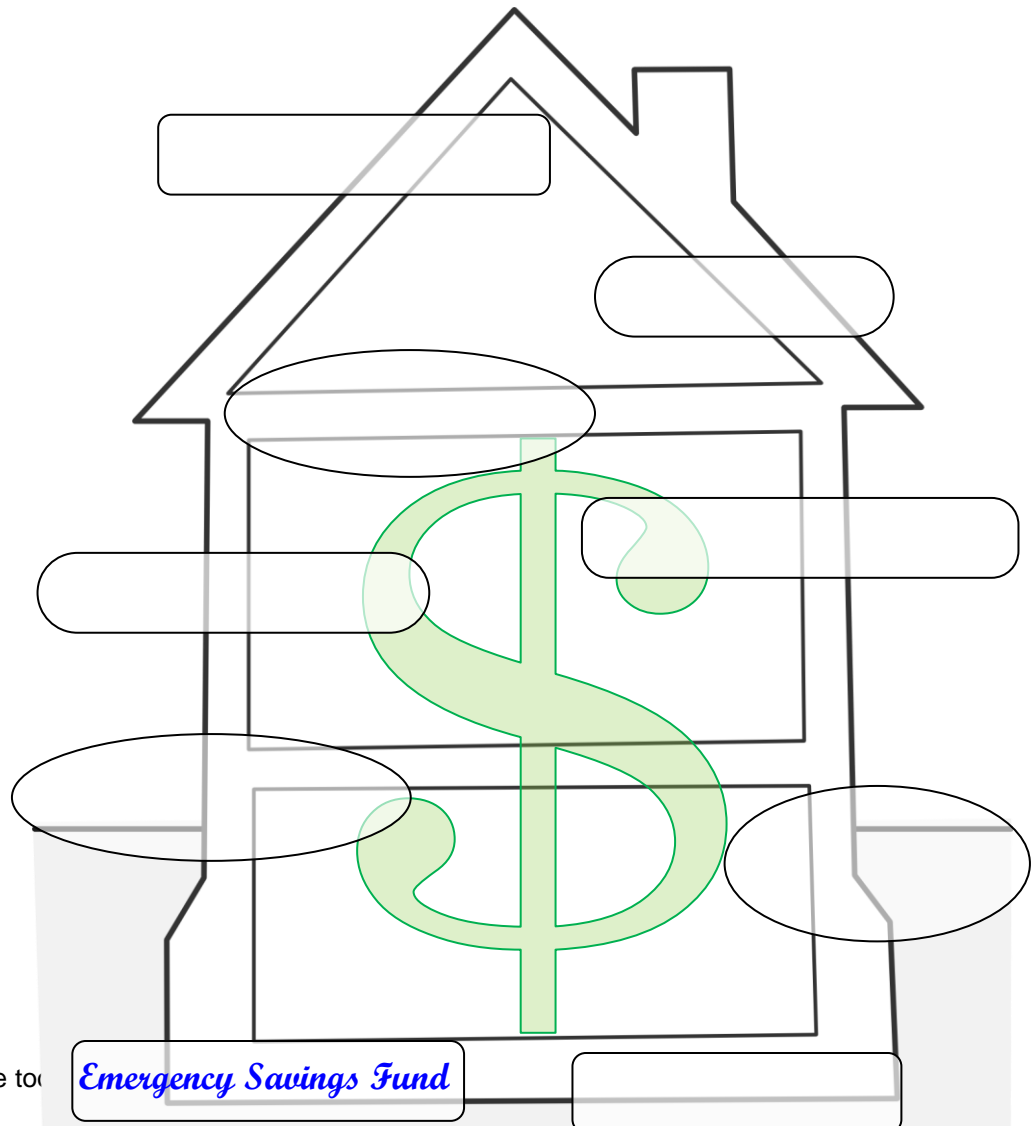
- 15. New Home
- 16. New Vehicle
- 17. Starting a Business
- 18. Vacation Home

- 19. Your Baby's Retirement
- 20. Your Retirement
- 21. Other: _____
- 22. Other: _____

Attic =
Neither Urgent
nor Meaningful

Walls =
Urgent
OR
Meaningful

Solid Foundation = that you have to
Urgent + Meaningful



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