Financially Empowered New Parents!

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

Teacher's Guide

Series: Financially Empowered (Part 4)
Program Length: 40-50 Minutes
Audience: DRS Clients age 20-35

Financially Empowered New Parents

by Debt Reduction Services Inc

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Teachers Guide for

Financially Empowered New Parents

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Part 4 of the Financially Empowered Series

By Debt Reduction Services, Inc.
Boise, ID

Few experiences in life can be as fulfilling as holding a newborn baby for whom you are completely responsible. While the emotions vary from parent to parent, common descriptors include the highs of joy, happiness and excitement, but also the sometimes unexpected emotions of being anxious, fearful, and overwhelmed.

Financially, having a baby changes large swaths of your financial future. Besides the costs of feeding, clothing and housing baby, you have also taken upon yourself the responsibility to educate, recreate and otherwise support this new being throughout their infancy, childhood and adolescence, and if we're honest, often into young adulthood.

So, if you are (or are about to become) a new parent, this lesson is for you. It addresses new and continuing financial concerns that you will likely encounter in the coming months and years.

LEARNING OBJECTIVES

Participants will:

I. List the signs of financial trouble common to new parents.

II. Identify ways in which having a baby will impact the financial life of the parent(s).

III. Apply understanding of babies' impact on their parents' financial lives by ranking and estimating relative costs.

IV. Connect common child-related expenses to long-term goals of equivalent value

V. Assemble long-term financial expenses as a new parent

VI. Construct the Family's Financial Framework

Topic: ...... Debt and Money Management

Time Required: .... 40-50 minutes

SUPPLIES, MATERIALS & EQUIPMENT

- Projector and screen (optional)
- PowerPoint
- Participant handout booklets (8 pages)

PREPARATION:

- Review and prepare presentation in this Guide
- Review PowerPoint as needed
- Consider using relevant personal stories or other stories to highlight the important points within the lesson
- Copy/Print enough Participant handout booklets (8 pages) for each participant

PARTICIPANT HANDOUTS:

- 8-page booklet includes:
  - "Serving Up Baby's Financial Pie" Activity Sheet
  - Connecting Common Purchases to Future Goals
  - "Long-term Priorities Quadrants" Activity Sheet
  - "Establishing Your Financial Framework" Activity Sheet

Discussion Question: What's the biggest financial challenge about being a new parent?

INSTRUCTOR TIPS

Discussion Question:

The Discussion Question is meant to grab the participants' attention and interest, encourage engagement, and begin them on the steps up Bloom's taxonomy of learning (Remember, Understand, Apply, Analyze, Evaluate & Create). It addresses ideas that are relevant to the participants' lives from a top-level perspective.

Personal Experience:

Consider sharing a personal experience that you, a family member or close friend has had as a new parent that was financially difficult. What difficult financial choices did you have to make and what did you learn from the consequences?

Statistics:

A 2016 T. Rowe Price survey found that nearly 60% of parents think they should save for their kids' college education before saving for their own retirement (time.com). The same survey found that 35% of parents spent $500 or more per year on their child's extracurricular activities.

Story Relevant to Participants' Lives: A July 18, 2016 Bloomberg report found that while child care expenses have risen twice as fast as income since the Great Recession, virtually all of that increase has been in high income communities where parents are willing to pay much more for exclusive programs that also offer education. Regardless of income, though, many parents are finding that their childcare expense is as large or larger than their monthly mortgage payment.

I. List the Signs..................................... Recognizing Financial Trouble

Suggested Time: .... 5 minutes

What are some everyday signs or indications that there are currently – or soon may be – financial troubles in your life as a new parent? How do you know you're in – or about to be in – financial trouble?

- BUDGETING: You are not regularly reviewing your household budget.
- BUDGETING: You have not considered any additional costs of having a baby in your home.
- DEBT: You can't keep track of all of your doctor and hospital bills
- DEBT: Your credit card balances have gone up since your baby was born.
- SAVINGS: You have used money from your savings or, worse yet, your retirement fund to pay for your baby's activities, supplies, bills, or other expenses.
- SPENDING: You enroll your newborn in paid classes (from music to learning to massage)
- SPENDING: You have not shopped around for child care, clothing, car seats, etc.
- SPENDING: You insist on providing all the latest products for your baby's nursery.
- SPENDING: Your child has outfits and shoes that they have outgrown before ever wearing (overspending on clothing)
- GENERAL: You justify living paycheck-to-paycheck (or worse) because your child(ren) must have all of the benefits and opportunities life has to offer.
- GENERAL: You regularly read parenting magazines looking for new products to purchase.
- GENERAL: You suspect you might be spoiling your child.
- GENERAL: You lose sleep due to financial worries.

II. Identify................................ Baby's Financial Impact on New Parents

Suggested Time: .... 5-10 minutes

Open question for all participants: In what ways does having a baby impact the financial life of his or her parent(s)? Following are the main categories, as identified by the USDA (see "Statistics" under Instructor Tips)

- Child Care: Day Care, Babysitting, Private education
- Clothing: Apparel, diapers, shoes, etc…
- Food: Groceries, dining out and school meals
- Health Care: Medical, dental and mental health
- Housing: Costs of shelter, utilities & furnishings
- Transportation: Vehicle payments, gasoline, maintenance, repairs, insurance
- Miscellaneous: Personal care, recreation, entertainment, leisure, etc.…

III. Apply ....Serving Up Baby's Financial Pie

Suggested Time: .... 5-10 minutes
Handout:.. Serving Up Baby's Financial Pie

Using the Baby's Financial Pie handout, have the participants estimate where in their financial lives their baby has the most impact ("1") down to the category where they have the least impact ("7"). Then, ask them estimate in the "Portion" column how much of the total financial impact is accounted for by each category. Statistics for the average 2012 family are below.

- Housing (30%)
- Child care and Education (18%)
- Food (16%)
- Transportation (14%)
- Health care (8%)
- Miscellaneous (8%)
- Clothing (6%)

IV. Connect........................Impact of Current Expenses on Future Goals

Suggested Time: .... 10 minutes
Handout:..Connecting Common Purchases

Use the following activity to compare the costs of child-related expenses with your future goals. Estimate how much you believe each child-related expense in the left-hand column would cost. Then, draw a line from the child-related expense on the left to the expense on the right that you believe is of an equivalent value/cost.

<u>Answer Key (Costs are generalized and may be slightly adjusted)</u>

1. G $55,000	3. E $30,000	5. B $300	7. I $600	9. J $25,000
2. C $40,000	4. D $60,000	6. F $5,000	8. H $1,000	10. A $65,000

V. Assemble ....Long-term Financial Priorities

Suggested Time: .... 10 minutes
Handout:..Assembling Long-term Priorities Quadrants

With a better understanding of how babies typically impact their parents' finances, now consider your own long-term financial priorities and rank them in order of importance for you as a new parent. These expenses can include: Baby's College Fund, Family Vacations, New Home, Retirement, Newer Vehicle, etc. What other long-term financial goals might you have? You will need to determine how meaningful the goal would be and how urgent it would be.

Then, indicate where they belong in the corresponding quadrants. Those in the upper right will be highest priority to work on. Lower left will be lowest priority.

Ask participants what they learned about themselves through this activity.

INSTRUCTOR TIPS

Quote:

Your child can borrow money to pay for their education. You cannot borrow money to pay for your retirement.

Personal Experience:

Consider sharing a personal experience that you, a family member or close friend had as a new parent that was financially difficult.

Statistics:

Financial impact data comes from a USDA report ("Expenditures on Children by Families, 2013").

Did you know…?

Children 6-8 years of age are generally the most affordable to raise ($12,800/year), followed by newborn-5 ($12,950). From there, costs go up every year through age 17 ($14,970).

Source: USDA 2014

INSTRUCTOR TIPS
Personal Experience: Consider sharing a personal experience that you, a family member or close friend has had with regard to spending on needs vs. wants. Has there been a time when you spent on wants and had difficulty paying for your needs? What were the consequences and what did you learn?
Current Event Ideas: FINRA's National Financial Capability 2015 survey showed that 38% of American households are breaking even while another 18% are spending more than they earn. Just 40% are living below their means.
Story Relevant to Participants' Lives: An emergency savings fund absolutely must be at the foundation of our finances. "Pay yourself first." A July 3, 2014 DailyWorth.com post shares personal stories of 7 women who used their emergency funds to take care of family, pets, pay a tax bill, recover from divorce, start a business, care for a disabled son, and spend time with a dying father.

VI. Construct .... Family Financial Frameworks

Suggested Time: .... 10 minutes
Handout: ....Assembling Long-term Priorities Quadrants

Based upon the priorities participants established in their previous activity, ask them to construct their own family financial home by placing their priorities around the framework. The lower on the home the priority is placed, the more foundational (critical) it is for their financial success.

As part of a discussion, encourage participants to make emergency savings and long-term retirement planning part of their financial foundation.

Additionally, it would be beneficial to discuss the note at the bottom of the handout regarding the opportunity cost of overspending on baby. $1 invested in an index mutual fund at 30 could grow to $12 by retirement age.

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