

A costly wee bundle of joy - The Press, 12 November 2009

Having a child can be richly rewarding, but the little nippers don't come cheap. AMANDA MORRALL checks out the costs - and benefits of being financially prepared.

It is often said you can't put a price on love, least of all the love for the wondrous babbling, bundle of joy that is baby.

While this may be true of the affection one feels for bub, money trackers have nonetheless come up with some sobering numbers.

The first year of baby's life alone is estimated to cost \$10,000. That's for basic start-ups that we (in the developed world) have come to depend on: cots, prams, highchairs, bouncy devices, baby bottles, nappies - the list goes on. And price runs as high as one's enthusiasm and budget. The long-term costs are even more daunting.

It may be an imperfect science but home economists have developed calculators for doing the long-term projections. According to one such model, a two-parent family with two kids (earning less than US\$44,500 or NZ\$60,000) could expect to pay more than US\$225,000 until the children reach 18.

Christchurch financial planner Sheryl Sutherland believes that to be a conservative estimate. She says the long-term costs of raising children are staggering and yet many first-time parents don't think beyond nappies, car seats and cots. "You get into this whole joyful thing of having the baby and it's all blissful and wonderful and the baby is growing and you're playing Mozart and God knows what, but whether it's the hormones that kick in or not, parents (women especially) aren't usually very practical, but it's really, really important to be practical before the event rather than after," she stresses.

If most parents unwittingly plan to fail by failing to plan, new mother Tina Washington, 23, and partner Adam Marsh, 27, are an exception.

Even though their three-week-old son Lucas was an "oops", they went into emergency savings mode right away to minimise the financial upheaval and stress. Shortly after they discovered they were expecting, the Christchurch couple started making regular weekly payments to a joint savings account in baby's name to cover medical, clothing, food and incidentals.

Washington says they also spent several months, before baby's arrival, scouring the shops for deals to prevent a sudden drain on the account in the last trimester of the pregnancy. "We have an entire cupboard full of nappies," chirps the dotting new mother.

Washington says the self-imposed spending crackdown was not without sacrifice. She gave up expensive haircuts, weekly manicures, dinners out and coffee with the girls. So far, she hasn't missed the indulgences. In a way, she says life has become

simpler and more organised. Whereas, she and her partner used to shop daily for meals, they now do meal planning two weeks in advance.

"It is amazing how much you can save. We don't have a big budget but by cutting back we are able to make do with what we have."

It is precisely this kind of discipline that Sutherland recommends. She says the financially prepared parent will save themselves - and their marriage - a lot of grief later on.

"If you look at the statistics, money plays a huge role in marital breakups. The stress of having a baby, plus the stress of not having any money is pretty horrendous for most people. So you have to plan most carefully," says Sutherland, who advises prospective and expecting parents put themselves through "financial baby boot camp".

Sleep deprivation training might be valuable but Sutherland's strategy entails an austere savings plan: banking one person's salary and surviving on the other. She says the buildup will not only help cover imminent expenses but also help parents adjust to a reduced income by the time baby arrives.

Sutherland also recommends splitting one salary between both parties so each has some discretionary spending. Depriving the stay-at-home parent of a source of money can undermine their confidence and the relationship, she argues.

"If you become a housewife, house husband or caregiver your self esteem can drop so you need to have something for yourself too."

Sutherland says the more open couples are with each other about how they plan to manage their finances, the less likely they are to get into trouble financially and maritally.

She encourages prospective parents to look at the bigger picture, even though it can be difficult looking beyond baby's first toothy grin.

"It's not just the first year, there's the caregiving and ongoing maintenance. You have to come back to first base, where couples need to be incredibly clear about their financial picture and what their joint financial goals are. For richer or for poorer, that's all very well but you need to be very clear about your joint financial goals or you go into a destructive spiral basically."

Raewyn Fox, with the New Zealand Federation of Family Budgeting Services, says in most cases parents leave the money talk until after a crisis strikes.

She says many underestimate the financial implications of dropping down to one income and the various costs of raising a child later on.

Saving for tertiary education is not even "on the radar" for most parents, says Fox, suggesting most average young families struggle to meet day- to-day costs.

Anticipating potential costs and writing them into a plan will go a long way to alleviating parental stress later on.