

Checklist of financial considerations when starting or growing your family



Becoming a parent is one of life's most exciting milestones. Whether you're planning to have a child in the future, are already expecting, or have recently welcomed a new addition to your family through birth, adoption or surrogacy, keep in mind that raising children can significantly reshape your financial landscape. With that in mind, here are eight key considerations.

① Adjust your budget and prepare for additional expenses

Your priorities will shift as your child grows up, but early on you can expect expenses like diapers, car seats, baby food, and nursery furniture—all at a time when you may also be experiencing loss of income due to parental leave. As time goes on, you'll have childcare, extracurricular activities, and education to think about. You may also want to switch to a family friendly vehicle or upgrade to a larger home. To stay on track throughout your parenting journey, plan to review your budget on a regular basis.

② Add your child to your benefits plan

If you have a benefits plan either through your workplace or independently, you'll likely want to add your newborn to the plan to cover things like dental, vision, prescriptions or other health services not covered by your provincial plan. Some plans require you to add your newborn within a certain time period so make sure you check your plan so you don't miss the window.

③ Review life and disability insurance

Life insurance becomes even more critical when you have dependents. Review your existing coverage to ensure it adequately provides for your loved ones in the event of your unexpected passing. Additionally, consider disability insurance to protect your income if an injury or illness ever prevents you from working. Be prepared to budget for higher premiums to secure your family's financial future.

④ Create/update your Will and trust documents

Ensure your Will and trust documents reflect your new family structure. If you don't yet have a Will, make it a priority item on your to-do list. As a new parent, you'll need to name a legal guardian for your child to be prepared for unforeseen circumstances. Also, you should stipulate when and how your child or children will receive their inheritance.

⑤ Start saving for your child's education early

Open a Registered Education Savings Plan (RESP). Contributions are not tax deductible, but investments grow within the plan on a tax-deferred basis until funds are withdrawn. The federal government matches 20% of annual RESP contributions up to \$2,500 per child (with a lifetime maximum of \$7,200). When the child enrolls in a qualifying post-secondary institution, the original contributions can be withdrawn tax-free while the growth portion and government contributions are taxed at the student's tax rate. Some provinces offer additional education savings grants, so be sure to look into what is available where you reside.

⑥ Take advantage of tax benefits

The Canadian government offers a range of tax benefits and credits to support parents. The Canadian Child Benefit is a tax-free monthly payment for families with children under 18, with amounts based on family income and number of children. The government also offers parents tax deductions on eligible expenses such as daycare, nursery schools and summer camps — up to a yearly maximum. Additionally, each province and territory offer credits that are automatically assessed when you file your annual income tax. If you adopt a child, the federal adoption expense tax credit is a maximum of \$19,066 for 2024. Be sure to speak to your financial advisor and tax professional to learn what tax breaks and credits are available to you.

⑦ Create an emergency fund

Aim to save at least six months' worth of living expenses to cover unexpected costs in the event of a job loss. You'll need to make sure you can still manage expenses like your mortgage, car payments, childcare, property taxes, utilities, food, pet care, and more. The easiest way to put aside money is to open a dedicated bank account. A savings or money market account is probably your best bet as these offer easy access to cash while also earning you interest. Setting up automatic transfers and naming the account "rainy day fund" or "emergency fund" can help maintain discipline. BMO offers digital banking tools to help, such as the Start a Savings goal feature.

⑧ Explore workplace benefits

In addition to your Employment Insurance (EI) maternity and parental benefits, many employers offer top-up payments for a certain period of time — which can bring your pay closer or equal to the amount you were earning before you started your leave. Be sure to investigate all the perks that your employer offers.

Although starting a family can be costly, with careful planning you should still be able to set aside money to fund your longer-term goals, including retirement. For a comprehensive plan designed to support your immediate and long-term goals simultaneously, connect with a BMO Private Wealth professional.



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