

How to know if your finances are ready for kids

By Catherine Alford

If you want to have a baby soon, it's important to make sure your finances are ready for it. You've probably seen the statistics: It can cost over \$200,000 to raise a child these days, so needless to say, the idea of raising a couple of them might be a bit harrowing.

Luckily for you, there are many ways to raise your children affordably and ensure your finances are ready for the challenge. Here are a few questions to ask yourself before you plan your family to make sure your finances are in tip top shape:

How are my finances right now?

Take an assessment of your finances at this very moment. Are you frequently unable to pay bills? Do you feel like you are living paycheck to paycheck? Do you have significant debt? I'm not saying you can't have a baby if you have debt (mostly because I had six-figure student loans when I had my twins) but you do need to be able to make your payments on time every time and with ease.

The reason I advise this is because so many emergencies can happen when you have kids. You always want to be able to provide for them without worrying about money. So, if you're someone who frequently has trouble with money, it's important to sit down and look at your spending.

Are there any areas that need improvement? Can you fit diapers, formula and other costs into your monthly spending without it being a strain? Are you prepared for medical bills, most notably hospital bills, that cost quite a pretty penny?

If you need help getting on track, I've always had great luck with a cash budget and tracking my spending. Once you start to be conscious of your money and your spending, you'd be surprised at how quickly you can get on track.

Do I have an emergency fund?

Most financial experts advise that you have an emergency fund between \$500 and \$2,000, depending on your current income and expenses. To be safe, you should aim for six months' worth of living expenses. This money would be used for car repairs, hospital bills and anything unusual and unexpected that might come up. The whole point of an emergency fund is to prevent you from going into debt. That way, if your hot water heater breaks, you can take money out of your emergency fund instead of charging it to a credit card.

Emergency funds are especially necessary if you have kids. You just never know when you will need it. It's not pleasant to think about but when you need it in a pinch, it really helps if it's right there ready to go.

Do I have stable income?

I'll be honest, my income is variable, but it's not unstable. I know that each month for the last 15 months I've been self-employed that I have been able to bring in an average number that is comfortable for our family. Any number of things could happen to my business, but that's why I have an emergency fund.

Similarly, regardless of the industry you work in, you could get laid off or fired. No one can predict these things but in general people know whether or not their income is stable. They know whether or not they are valuable to their companies and that barring any unusual circumstances, they should be able to keep getting a paycheck. If this is not you, it's important to have a bit of consistency with your income so you know you'll be able to afford what your baby needs.

Can I afford childcare?

Many people are able to afford their current lifestyles, but ask yourself if you could afford \$1,000 a month in daycare costs (which is what it costs where I live in New Jersey). Alternatively you could crunch the numbers to see if you could stay home with your kids, move back closer to family members to get free childcare or try a range of other options like co-ops. The important thing is to think ahead and go over options in the area where you live and think about which ones would work best for your family.

Am I saving for retirement?

This question might seem unrelated but it's equally as important. If you are in the habit of regularly contributing to your retirement accounts, chances are you want to keep it that way. Kids have a funny way of making you want to funnel all your money towards them so you don't want to get caught up in spending for your baby and totally neglect your future. To be honest, there really is no way to ever fully prepare for the life changing experience of parenthood. However, there are a number of boxes you can check beforehand to ensure you have your finances as orderly as possible before they arrive.

Remember, the best gift you can give your child isn't the best toys or the most expensive crib or the highest end baby shoes. The best gift you can give them is a stable and loving home, one that is not riddled with debt collector calls, intense stress or lack of funds.

Take the time now to get your finances in order. Check your credit report, assess your debt, monitor your spending, and in general, give yourself a financial overhaul. Once you do this, you'll feel much more ready to bring a baby into the world, or if you're lucky enough like us, two babies into the world!

<http://finance.yahoo.com/news/know-finances-ready-kids-141031163.html>