

Baby or



Bust

Financial planning
for new parents & parents-to-be

Nicola Field

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About the author

Nicola Field began her working life as a chartered accountant. Following a career change, she taught accounting and business at secondary and tertiary level, and completed a masters degree while pregnant with her second child.

A journalist for more than eight years, Nicola is a regular contributor to a number of successful magazines including *Money Magazine* and *Real Living*.

In 2003 Nicola co-wrote *Financial Snakes and Ladders* (Penguin) with Paul Clitheroe, and in 2004 teamed up with Chris Walker to write *Walsh Bay: Harbourside Renaissance* (Hardie Grant Publishing, 2004).

Nicola lives and works from home in the Upper Hunter Valley of New South Wales with her partner, four children and a growing assortment of horses.

Acknowledgements

When I first started writing *Baby or Bust* in September 2006, the youngest of my four children, baby Nicholas, was just eight weeks old. He spent much of his time curled up on my lap, breastfeeding or snoozing while I worked at the computer, so penning a book seemed like just another project to add to my writing quota.

However, as the book grew, so did Nicholas. The project became progressively more challenging as the once-tiny baby graduated to sitting, then crawling and finally to cruising unaided around the furniture, at which point he discovered the on/off switch on my computer and decided it was the most interesting thing in the house. Just to throw in a little extra stress, we started major renovations to our home when the book was at the midway point.

Thankfully, everyone pitched in to help — everything from looking after Nicholas while I feverishly typed, through to not complaining when rissoles or spag bol appeared on the dinner menu for the third night in a row. The upshot is that *Baby or Bust* is very much a team effort. I owe special thanks to my three beautiful ‘big’ kids, Alex, Kate and Christopher, and of course to my best friend and better half, Michael, all of whom lent a hand, allowing me to get the job done.

I’d also like to offer a heartfelt thanks to all of the people who agreed to share their thoughts and experiences on parenting in this book. And to Paul Clitheroe for sharing my enthusiasm about being financially fit for parenting.

My gratitude also to the team at John Wiley & Sons. And I would have been lost without the invaluable proofreading and research skills provided by my assistant, Karen ‘Scoop’ Orr.

My sincere thanks to Chris Walker — you've been a great teacher and a wonderful friend, and along the way you opened doors for me that I never knew existed.

Finally, I'd like to thank my parents. It wasn't until I had children of my own that I realised how much you have done for me.

Foreword

As a father of three, I've discovered that children are wonderful, rewarding, a blessing and a source of tremendous pride. My wife, Vicki, and I couldn't imagine life without ours. But kids don't come cheap. No matter whether you are a high-income earner or on a more modest wage, one of the most important steps you can take if you are a parent or are soon to be a parent, is to get your finances under control.

The arrival of a baby throws plenty of new and often unexpected challenges at parents. We all rise to meet those challenges, though it can be a case of fumbling your way through in the early days. But one of the last things you need while you're coming to grips with your new family member is the additional strain of worrying about money matters.

One of the lessons I've learnt over three decades as a financial planner is that there is no correlation between what people earn and how much control they have over their money. It's all about what you spend, what you save and what you do with those savings, and Nicola Field's book, *Baby or Bust*, provides a wealth of useful information to help new mums and dads chart a smooth financial course for parenthood.

Covering the early days, before you even hear the thrilling news that a baby is on the way, right through to celebrating the completion of your child's education, *Baby or Bust* offers useful suggestions and practical examples that can help you make the most of your hard-earned dollars. Read it in its entirety or use it as a reference point to find valuable advice on crossing the various financial hurdles we all encounter as parents.

As Chairman of the Financial Literacy Foundation I am a great believer in the importance of being financially secure. As a parent, I recognise that children often learn some of their most lasting lessons from mum and dad. Taking a sensible approach to money management won't just make life more comfortable for ourselves and our children, it will also teach kids vital money skills that they will hopefully put to good use during their adult life.

Sit back and enjoy reading *Baby or Bust*. Whether you take on board all of the ideas or just a few, this book will help you get on the right track financially. Above all, enjoy time spent with your children. They are the best investment you will ever make, and I'm sure you will discover — as I did — that they will enrich your life far more than you could ever have imagined.

Paul Clitheroe

**Chairman of the Financial Literacy Foundation and
Founding Director of ipac securities**

Sydney

June 2007

Chapter 1

Ready or not? Knowing the right time

What a funny lot we humans are. There are 6.5 billion of us inhabiting the globe, and every second four more babies are born somewhere in the world.¹ In Australia, around 260 000 newborns can be expected to make their arrival during the course of 2007.² That's over 700 babies each day, and on the basis of numbers alone that makes childbirth a remarkably commonplace event.

Yet when it comes to the arrival of our own child, conception and birth suddenly seem anything but commonplace. Becoming a parent is undoubtedly a profound experience — one that will dramatically alter every aspect of your life, often from the moment of conception. Not surprisingly, most people invest a great deal of thought into starting a family, often wrestling with the notion of the 'right' time to have a child. The funny thing is, our concerns about when to have a baby are a relatively new phenomenon.

'Honey, we shrunk the family'

Generations ago, family sizes were often huge compared with those of today. In fact, prior to 1900, it wasn't uncommon for women to bear five or more children in the course of a lifetime.³ Yet in the space of a century — a mere handful of generations — Australia has seen a massive turnaround in fertility levels.

When statisticians talk of 'fertility rates' they are referring to the average number of children a woman will bear in her lifetime, and about 100 years ago, at the time of Federation, Australia enjoyed a fertility rate of around 3.8 babies per woman aged 15 to 44. Ironically, this was regarded as a low birth rate, raising sufficient concern to merit a Royal Commission addressing our declining family sizes. Nonetheless, fertility levels continued to fall to 2.1 babies per woman during the Great Depression, but picked up when the good times returned. By the late 1950s, our buoyant economy had ushered in the now-famous baby boom years, when fertility rates peaked at 3.6 babies per woman. And then something happened.

Along with The Beatles, miniskirts and LSD, the swinging 60s ushered in a new must-have — the contraceptive pill. It revolutionised the world of sex, and for the first time in history women had real control over the fertility of their own bodies. Almost overnight Australian family sizes plunged to fewer than three children.

Apart from a sure-fire, readily available and inexpensive means of contraception, other factors come into play during this decade that further reduced our fertility rate. Women actively pursued higher education and increasingly opted to take part in the workforce, 'lifestyle' became a goal worth aspiring to and standards of living rose. As women became more involved in the workforce, child-bearing was put on the backburner, and as a late start meant fewer fertile years ahead of them, women began to have fewer children.

The bottom line is that from the 1960s our fertility rate took on a downhill trajectory from which it has only just recovered. In 1976, we passed the point where women were bearing an average of less than two children in a lifetime, meaning that as a nation we weren't even reproducing at a rate that would replace each child's mother and father. Despite concerns about the effect this would have on our

natural rate of population growth, fertility levels continued to decline and by 2004 our fertility rate dropped to 1.77 babies per woman — half the number of our forebears a century earlier.

Since 2005, however, babies have bounced back. Our fertility rate has crept back up to 1.81 babies per woman — a small rise undoubtedly, but to put the increase in perspective, almost 260 000 births were registered in 2005 — the highest since 1993 and 5500 more than in 2004. It's early days yet, but it could be that we're on the verge of another baby boom. Tasmanians and Northern Territorians deserve a special pat on the back for doing their bit to turn the tide, with a current fertility rate exceeding two babies per woman — a level that breaks through the mum-and-dad-replacement barrier.

Does it pay to wait?

Along with rekindled fertility, the last few years have witnessed another trend — we are increasingly older, on average, when we have our first taste of parenthood. About 20 years ago, the median age of first-time mums was around 27, with the median age of new fathers being 30. By 2005, women were delaying childbirth until an average age of 31, while the median age for fathers was closer to 33.⁴

The upshot of all this is that the bulk of women having their first child these days are not 20-somethings, but rather women aged between 30 and 34. And over the last 10 years, the number of first-time mums aged between 35 and 39 has blossomed, with a 40 per cent increase in the number of women of this age having children.

The reasons for this delay are as varied as they are complex. Some women simply don't meet Mr Right until later in life, and Australia's high rate of separation and divorce means many may find — and lose — several Mr

Rights before meeting the one they decide to have children with. Other couples make the most of being child free to devote time to careers, or to pursuing personal interests including sport, hobbies or travel. For many, the reality of paying off the mortgage or HECS/HELP debt while whittling away the credit card, dictate that they wait just a little longer.

The trouble is, delaying childbirth can be a double-edged sword. Couples in their late 30s or 40s who are contemplating having children can face greater difficulty conceiving than their younger counterparts. Figures from the Australian Institute of Health and Welfare, for instance, show the average age for women receiving assisted reproductive technology in 2004 was 35.⁵ At the extreme end of the spectrum, delaying parenthood for too long can jeopardise your chances of having children altogether and, unfortunately, there's virtually no way of knowing the extent to which it will affect your chances of a healthy pregnancy.

It should be stressed, however, that not all older women will encounter fertility problems and, on the flipside, a proportion of those who do would have experienced difficulties conceiving at any stage of their reproductive life — not just in their mid to late 30s. I should also stress that having had my fourth child at age 41, there was virtually no difference (well . . . I may have complained more) between this pregnancy (or labour) and any of the previous three. And many first-time mums in their 30s and 40s will do likewise — conceiving, carrying and delivering a completely healthy baby without any problems at all.

In fact, age can bring many useful attributes to parents, including patience, confidence and tolerance, in addition to being better placed financially.

Older mums – sometimes healthier, possibly wealthier . . . perhaps wiser

A pilot study by Dr Catherine McMahon from Macquarie University's Department of Psychology looked at the social and psychological affects of delaying child-bearing by comparing the experiences of two groups of pregnant women (and their partners) — one group aged 38 and over, the other aged 35 and under. All had conceived using IVF.

It appeared there were more similarities than differences when comparing older and younger couples. On the plus side, the research found that during pregnancy the older women scored higher on a measure of hardiness/resilience. They were also less inclined to have idealised views about parenting and infants than their younger counterparts.

According to Dr McMahon, 'The maturity of older women may mean they are better able to cope with the transition to motherhood, which is a very demanding and stressful job'. She adds, 'Older mothers may also be more resourceful and inclined to access information, and articulate their needs to health professionals'.

Older mums can enjoy other advantages. Having faced a broad range of life experiences they may be very adaptable — a real plus when it comes to parenthood.

However, Dr McMahon notes that women in the older age group reported having fewer people they could call on to provide practical and emotional support like parents and friends with young children.

The findings do not indicate a problematic adjustment during pregnancy in older couples, but Dr McMahon believes the differences found need further investigation. To that end, Dr McMahon and her colleagues have commenced a larger study that will include women who have conceived naturally.

Factors to consider before starting a family

Beyond the physical issue of age, there is a whole raft of issues you and your partner need to consider before starting a family. And when it comes to having kids, it's important to

ensure you're working as a team. That can mean a bit of soul searching about the strength of your relationship. Does it go beyond sexual attraction to a firm foundation of love and respect? How will your relationship cope with the added pressure of a baby? The additional stress — both financial and emotional — of parenting can wedge open even the tiniest fissures in your relationship, and it's rare for a baby to bring a sparring couple together.

What about your values? Have you discussed issues about discipline and how you would like your baby to be raised? Or, if you and your better half come from different religious or cultural backgrounds, have you planned how these will be shared with a child.

It is vital you make time to talk about these things. Be honest, speak freely and listen to what your partner has to say. If there are aspects of parenthood you aren't yet ready for, now is the time to speak up. There's no point harbouring resentment once a baby is on the way — and we are parents for a very long time.

The 'right' time is different for us all

One of the quirkiest aspects of human nature is that almost as soon as you get hitched people begin asking when you're going to start a family. But the decision to have children involves a lot more than bowing to pressure from the in-laws or emulating your friends. Becoming a parent is one of the most important things you will ever do, and despite your insistence that your life won't change, it will.

As a mother of four, I'm clearly a fan of children. But I'm not so sure that parenthood is for everyone. What I can say with certainty is that the timing of your first child is a

significant decision — one that we all arrive at in different ways.

For some, having children at a young age is a natural progression of a relationship that blossomed in their teens. This was the situation Vanessa Whitten (30), mother of Josie (nine) and Adam (seven), found herself in.

I wasn't concerned when I fell pregnant just before turning 21. My husband Matt (32) and I had been dating since the 10th grade and he was going to propose to me on my 21st birthday, anyway. Falling pregnant was just a matter of course and having our children so young has allowed us to grow with them.

Some women find themselves thrown into motherhood unexpectedly — an event that changes their lives more dramatically than most. Carla Ayres (28), mother of Meya (nine), explains how her life changed when she found out she was pregnant:

I was in my first year of a law degree when I fell pregnant with Meya at age 18.

Becoming a mother was definitely a life-changing event. Raising Meya as a single parent has been more financially challenging than I would ever have expected and I couldn't have done it without the support of my family.

Despite the hurdles, having Meya has changed the direction of my life. Watching her grow has sparked an interest in child development, and I have almost completed a degree in speech pathology, which will qualify me to work with children experiencing speech difficulties.

I feel sad for people who have every material possession but never know what it's like to hold a child of their own. Becoming a parent takes the blinds off to a lot of superficial things — you begin to see what's important