



# Preparing for a **Baby**

Kids should not cost you a fortune to bring up; there is no harm in preparing yourself financially before they actually arrive, by **Himali Patel**

**F**inding out that you are about to become parents has mixed feelings. First time parents are excited, those with experience are anxious and somewhat prepared for the drill. Preparing for parenthood is not about enrolling into parenting workshops or visits to the doctor for ultrasound or listening to advice from all those who have been through parenthood. Mumbai-based couple Rinku and Dhaval Bhalala, became parents for the first time a few months ago; the feeling is still sinking in. “We are excited and at the same time realise that it is a huge responsibility,” they state in unison.

Preparing for parenthood isn't just tiny clothes, ultrasounds, painting the house pink or blue; it involves a lot of financial preparation. Yes, through the course of pregnancy and child birth, you would have learned enough medical jargon to know what is antenatal, EDD, fibroids and more. You will know about growth chart, the important milestones in the first year and so on. But, in the midst of all of these, you definitely should pay attention to your family's financial well-

being. Tax benefits, child savings plan, and emergency funds for children are equally important, if not more.

## Getting ready

Actually, however one may plan for it, one can not exactly be ready when it comes to bringing up a child. But, with some careful planning, chances are that you will be able to cope emotionally and financially through this life changing experience. “Costs of crèche, nursery, and day-care facilities have sky rocketed, hence planning for this in advance is also important in addition to an emergency fund created both for the child and parents to shield against job loss, medical emergencies during the first year of child birth,” advises, Dilshad Billimoria, director, Dilzer Consultants.

For most parents, the first brush with costs is the pre-natal medical procedures that one has to undergo. “During my pregnancy, medicines, medical tests and doctor visits added up to ₹25,000,” recounts Rinku. If one opts for any of the delivery packages offered by hospitals, the costs could range anywhere

## NEHA AND GAURAV DAVDA,

“Being our second child, we knew what we were getting into and managed the expenses with the best medical advice that was given to me.”

from ₹30,000 upwards, depending on the hospital and the available package. She had to undergo a C-section, which cost ₹55,000 for the delivery. “This was among the lowest priced package as we opted for the delivery at a general hospital. My husband had a mediclaim policy from his work which covered maternity cost,” she recounts.

The costs do not end with just the delivery. There are costs related to vaccinations, medicines as the child grows and include changes in your household budget too. The need for maids, house-helpers and assistance in the initial phase may be supported by family members, but a growing child opens up completely different set of expenses, which should be factored in, lest one is taken in by surprise. It is best to speak to those who have been through parenting in recent times to know what's essential and what can be categorised as optional.

## Assessing finances

“If you are not financially prepared, don't plan for second pregnancy. You and your baby shouldn't face financial related problems,” advises Neha Davda. The mother of two daughters had her second one earlier this year, eight years after her first daughter was born. “I wanted my older daughter to be able to manage on her own before deciding to go for the second child,” she adds. Many parents swear by planning for pregnancy so that they are emotionally and financially ready for children. When it comes to children, the reality is that they would depend financially on you for a good two decades before they start their careers.

Not saving enough money before you are planning to go for the second child is the biggest mistake. Agrees Anil Singh, chief actuarial officer, Aditya Birla Sun Life Insurance: “It is important to have separate



Photo: SOUMIK KAR

investment planning to take care of the financial needs of the second child. Inadequate life insurance is another money mistake one should avoid. With a second child comes increased set of responsibilities, therefore it is very important to have adequate insurance to completely secure the future of both your children.”

“I had never taken insurance earlier,

## Financial Checklist



Expenses and list of do's and don'ts will change for different couples, but you can take an idea on what all you will need to know before the arrival of the child.

- ✓ Know the pre-pregnancy costs for every trimester till the actual delivery
- ✓ Increase emergency savings from three months to six months
- ✓ Create new household budget with new expenses that a child brings
- ✓ Sit down with spouse to discuss changes in spending pre and post-baby
- ✓ Have adequate health insurance cover
- ✓ If you have pregnancy covered in the health policy, do call the insurer to verify coverage for delivery and post-delivery expenses
- ✓ Review and increase your health and life insurance cover
- ✓ Plan for things that you need to buy with the arrival of the child
- ✓ Do keep aside money for any religious ceremonies that are essential
- ✓ Factor in vaccination and other pediatrician related expenses



**DILSHAD BILLIMORIA**  
Director, Dilzer Consultants

"Planning for a child is not easy. Planning for the same in advance can be a lot less stressful."

but after our second daughter was born, I couldn't undermine the importance of medical insurance and opted for a floater policy, which would cover the entire family," recounts Neha. Child birth is a stage in life which brings in additional responsibilities and it is a good time to re-evaluate the life insurance needs of both the spouse and take adequate life cover. Especially in cases where the mother is planning for a career break, the financial implications of maternity leave and a shift from double to single income shouldn't leave you in troubled waters.

The importance of life insurance has become very crucial as it increases with the size of your family, along with increasing list of financial responsibilities as well as emotional ones. Says Anurag Rastogi, head – Retail Underwriting and Claims, HDFC ERGO: "The cost of pregnancy has risen due to the high incidence of caesarean section deliveries and treatment at super-specialty hospitals. In order to meet the cost of child rearing and the expenses related to pregnancy, an insurance policy covering maternity becomes an integral part of an individual's financial planning."

### Availing benefits

There are few benefits that you should be aware of to make use of during pregnancy. For instance, in case of working women, it is important to find out the maternity benefits that are offered by their employers. According to the amendment to the Maternity Benefit, working women are entitled to a minimum of 26 weeks maternity leave with pay. Further, an establishment which has more than 50 employees needs to create a crèche facility for the working mother within the premises of the workplace. There are other conveniences provided to mothers such as flexitimes and work from home, wherever it is possible.

Most organisations offer group medical insurance, in which maternity is also covered. "We were lucky to have the group medical cover, because most of the maternity bill was paid by the policy," explains Dhaval. The couple had run up a delivery bill of about ₹55,000, which was almost fully paid by the insurer.

These days, there are individual policies which also cover maternity after a few years of waiting; if you are looking to start a family, opt for such a policy as early in life as you can.



Photo: SANJIT KUNDU

### RINKU AND DHAVAL BHALALA,

"We were lucky to have a group health cover, which covered for pregnancy related costs as well, but we still had to pay some amount because of the limits within the policy."

Such a health insurance policy is a must have these days, given the rising maternity costs and complications that are common at the time of pregnancy. "There might be certain complications at the time of delivery, which can increase the costs drastically for mother and child. Therefore, it is important that maternity coverage plans are taken either as standalone or rider add-on benefits. It is important that such policies are purchased at least 6-12 months in advance to get pre-natal coverage benefits," recommends Billimoria. It is also appropriate to think of putting in money for the child's future expenses, as it is common for most Indian parents to receive gifts at the

time of a child's birth.

Moreover, the biggest expense after a house purchase that one experiences is the one around the child's education, once they complete school. "Today, education in India can cost anywhere between ₹5 - 7 lakh a year for a 3-4 year degree and go up significantly, if one is planning to study abroad," explains Billimoria. The Davda's, have started investing for their 8-year-old daughter Neha's future education needs. "We did not have a health insurance earlier, but this time around we have



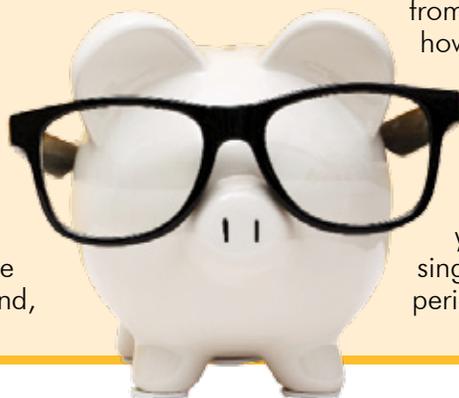
**ANIL SINGH**  
Chief Actuarial Officer,  
Aditya Birla Sun Life Insurance

"It is very important for new parents to review their life insurance covers and increase their covers as required."

## Surviving on Single Income

It was a big debate in 2012 when then Yahoo! CEO Marissa Mayer got back to working full time just two weeks after giving birth to her first child. That, however, may not be possible for most mothers. The fact that most families these days live on a dual income model, childbirth, which can be emotionally draining, comes with a financial drain as well with most families finding themselves staring at a single income stream for a considerable time. Yes, paid maternity leave in India is now for 26 weeks or six months, but with chances of a longer break, one would at some point or the other face up to a single income home.

Instead of wallowing over diminishing savings, couples should create a fund which will tide them over this phase of living off single income. Not to forget the need for adequate savings for the costs related with maternity itself. Do not mistake this fund for an emergency fund,



because that is for completely different reasons. By preparing yourself for the situation, you will be able to carry on your current lifestyle till you adjust to your new routine. If there is a possibility to take up part-time work assignment, one should take it or work towards configuring an arrangement with your employer for flexi-time, till such time you are settled to work full time.

Ensure that you do not add up debt that can get difficult to manage, for a newborn brings a completely different set of unplanned and unexpected expenses. There is a possibility that your expenses will increase and savings may reduce, but that should not deter you from saving and investing, however small a sum it may be. Be tight fisted with your spending, after all, this is a period when you cannot afford to indulge knowing very well you have to depend on a single income for a fairly long period of time.

taken a family floater to cover all four of us,” explains Neha. She has also started setting aside money for their higher education. The advantage of starting early, especially with insurance, is that you land up paying a lower premium compared to what it would cost if one starts later.

The Bhalalas have already started to set monies aside into a child savings plan. “I am going to invest in *Sukanya Samridhi* account which is provided by the government of India. Also, tax exemption is available and percentage interest is good compare to other government investment options available,” says a beaming Dhaval. He is also exploring other tax savings options that could work for his new born girl. The best way to deal with events in life is to plan for them whenever possible. This is very much possible in case of bringing a child into this world. However, in the process of saving and investing for this event, do not miss out on the finer aspects of becoming parents. There are some events in life that can never come back – the birth of a child is one such incident that you should rejoice and not be saddled with worries over the financial implications that the arrival of a child poses. ■



### ANURAG RASTOGI

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