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The Joys and Financial Challenges of Parenthood

Children are special. There's nothing like them. They can be our sweetest blessing, as well as our biggest frustration. Most of all, however, they are our greatest responsibility, as well as our most important--and expensive--commitment.

Whether you are a first-time parent or a veteran of refereeing sibling squabbles and who-put-the-empty-milk-carton-back-in-the-fridge inquisitions, parenthood can be both wonderfully rewarding and frighteningly challenging. Our children give us gifts only a parent can understand--from sticky-finger hugs to "Can I come?" pleas to tag along on Saturday morning errands. We raise them with a clear goal that we secretly dread will actually take place--that someday they will be grown, independent, ready to move out into the world on their own...and our work will be over. As our children travel this long and never-dull road from infancy to adulthood, we nurture them, worry about them, scold them, love them.

Most of all, we try to protect them. We want them to grow up in a stable world, one in which they are physically safe, emotionally nurtured, and financially secure. Still, meeting expenses can be a challenge.

How expensive is raising a child?

The United States Department of Agriculture estimates that the average nationwide cost of raising one child from cradle to college entrance at age 18 ranges from $143,790 to $289,380, depending on income. (Source: Expenditures on Children by Families, 2006) Then, when they turn 18, add in college expenses, and your financial outlay can get even worse. How much worse? According to the College Board, for the 2007/2008 school year, the average cost of one year at a four-year public college is $17,336, while the average cost for one year at a four-year private college is $35,374. Even if those numbers don't go up (and they have increased each year for decades), that would come to $69,344 for a four-year degree at a public college, and $141,496 at a private university. Oh, and don't forget graduate school.

The bottom line: Children are expensive! Between raising them and educating them and making sure they get a good, strong start in life, one thing is obvious when it comes to children--they are a major responsibility. Fortunately, as long as we remain alive and healthy, we manage to somehow meet these expenses. It's part of what parenthood is all about.

Have you taken steps to protect them?

But here's a question you need to consider: What would happen to them if something happened to you? No, it's not the kind of question we like to dwell on. But these matters are important. This is why many financial professionals recommend that, above and beyond the day-to-day efforts to provide for their children, parents should take specific steps to help protect their financial well-being.

Review your life insurance coverage

Life insurance is one of the most effective ways to protect your family from the uncertainty of premature death. Life insurance can help assure that a preselected amount of money will be on hand to replace your income and help your family members--your children and your spouse--maintain their standard of living. With life insurance, you can select an amount that will help your family meet living expenses, pay the mortgage, and even provide a college fund for your children. Best of all, life insurance proceeds are generally not taxable as income.

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Purchase disability income insurance

If you become disabled and unable to work, disability income insurance can pay benefits--a specific percentage of your income--so you can continue meeting your financial obligations until you are back on your feet. What about Social Security? If you do become permanently and totally disabled and are unable to do work of any kind, you may be eligible for benefits, but qualifying isn't easy. For more flexible and comprehensive protection, consider buying disability income insurance.

Start building a college fund...now

College costs may seem daunting (and they are expected to continue increasing), but you have about 18 years before your newborn will be a college freshman. By starting today, you can help your children become debt-free college grads. The secret is to save a little each month, take advantage of compound interest, and have a sum waiting for you when your child is ready for college.

The following chart shows how much money might be available for college when your child turns 18, if you save a certain amount each month.

Child's Age Now	$100/ month	$200/ month	$300/ month	$400/ month
Newborn	$38,735	$77,471	$116,208	$154,941
4	$26,231	$52,462	$78,693	$104,924
8	$16,388	$32,776	$49,164	$65,552
10	$12,283	$24,566	$36,849	$49,132
14	$5,410	$10,820	$16,230	$21,640
16	$2,543	$5,086	$7,629	$10,172

Table assumes an after-tax return of 6%, compounded monthly. This is a hypothetical example and is not intended to reflect the actual performance of any investment.

Enjoy watching your children grow up. And remember, just as they are important to you, you are important to them. Make sure they're protected financially...no matter what.

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