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NEW PARENTS: DON'T MAKE THESE FINANCIAL MISTAKES!

BRENTWOOD, Tenn. – A new baby is a joyous addition to any family. But children also bring added financial responsibilities for new parents. The Tennessee Society of CPAs offer this advice on making the right financial choices.

CREATE A BUDGET

This is excellent advice for anyone, but it's a particularly valuable step for new parents, particularly because you're going to be making a lot of purchases as you prepare for the new baby's arrival. But more importantly, you should take the time to consider how the new addition will affect your family's monthly finances. Child care, for example, can be a very costly addition to your monthly expenses. If one spouse is going to quit a job or work fewer hours in order to care for the baby, that loss of income will also have an effect. As soon as you learn you're expecting a baby, you should begin putting together a regular monthly budget so that you're prepared for changes in your financial situation.

MAKE A WILL

If you don't already have one, now is the time to write a will that spells out who will receive your money and other assets if you die. In a will you can also name the guardian who will care for your child if you die before he or she is 18, so it's a particularly important document once a child is born. This is also a good time to analyze your disability and life insurance. The benefit amounts you chose before may not be enough to support a young family, so you may want to make some adjustments.

PLAN FOR THE FUTURE

Preparing for the long term means saving both for your retirement and your child's college education. When you create your budget, be sure to include regular deposits into retirement accounts and college funds. If you have to make a choice between the two, CPAs advise that you put your retirement savings first. That may be surprising advice for a doting parent, but it makes good sense. If you don't have the money to cover tuition when your child reaches college age, there are plenty of scholarships and relatively inexpensive loan programs available to help. However, there are few options for parents who hit retirement age with insufficient funds to pay for their current standard of living.

GET OUT OF DEBT

This should rank high on your list of financial priorities. If you are already carrying heavy credit card balances or other debt, analyze your budget to see if you can raise your monthly payments. Remember that you're not just paying for past purchases, you're also paying interest on your outstanding debt each month. Getting rid of those balances will free up more money for your family and help you avoid wasting money on interest.

DON'T GO BROKE

There are many necessary expenses associated with a new baby, but don't fall into the trap of spending more than you can afford. Many people mistakenly believe that a happy childhood requires elaborate toys, birthday gifts and parties or room decorations. In fact, the best choice you can make for your child is to spend wisely and keep your family on sound financial footing.

About Money Management

Money Management is a weekly column on personal finance prepared and distributed by the Tennessee Society of Certified Public Accountants (TSCPA) as a part of its financial literacy initiative.

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